100th Congress
2d Session

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SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

REPORT

ON

DRAFT LEGISLATION

TO PROVIDE FOR THE TEMPORARY SUSPENSION OR REDUCTION OF CERTAIN DUTIES ON IMPORTED MERCHANDISE, AND FOR OTHER PURPOSES

As ordered reported by the subcommittee on July 7, 1988

AUGUST 4, 1988

Prepared by the staff for the use of the
Committee on Ways and Means

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August 4, 1988

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WAYS AND MEANS

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Subcommittee on Trade met in markup session on July 7, taking favorable action on 56 miscellaneous tariff and trade bills. These bills are noncontroversial and have been consolidated into a draft miscellaneous tariff bill. This draft legislation was ordered reported to the full Committee on Ways and Means, by voice vote.

The provisions of this noncontroversial miscellaneous tariff bill are listed herein:

Title I - Temporary Changes in Tariff Treatment

Subtitle A - New Duty Suspensions and Reductions

Section 101, a provision originally introduced as H.R. 1360 by Mr. Frenzel, would temporarily suspend the column 1 rate of duty on certain plastic web sheeting (TSUS item 355.25, HTS item 5603.00.20) used in the production of reverse osmosis water purification systems until December 31, 1992.

Section 102, a provision originally introduced as H.R. 4269 by Mr. Clinger, would provide a temporary column 1 duty suspension on imports of naphthalic acid anhydride (TSUS item 404.32, HTS item 2917.39.10) until December 31, 1992.

Section 103, a provision originally introduced as H.R. 2208 by Mr. Jenkins, would provide a temporary column 1 duty suspension for 2,6-HNA (TSUS item 404.46, HTS item 2918.29.50) until December 31, 1992.

Section 104, a provision originally introduced as H.R. 4374 by Mr. Jenkins, would temporarily suspend the column 1 rate of duty on diphenolic acid (TSUS item 404.47, HTS item 2918.29.50) until December 31, 1992.

Section 105, a provision originally introduced as H.R. 3426 by Mr. Clinger, would temporarily suspend the column 1 rate of duty on N-methylaniline (TSUS item 404.72 and HTS item 2921.42.20) and m-chloroaniline (TSUS item 404.88 and HTS item 2921.42.50) until December 31, 1992.

Section 106, a provision originally introduced as H.R. 1625 by Mr. McMillan, would temporarily suspend the column 1 rate of duty on 3-(trifluoromethyl)aniline (TSUS item 404.88, HTS item 2921.42.50) until December 31, 1992.

Section 107, a provision originally introduced as H.R. 3513 by Mr. Ford of Tennessee, would suspend the column 1 rate of duty on N,N'-Bis (2,3-dihydroxypropyl)-5-(N-(2,3-dihydroxypropyl)-acetamido]-2,4,6-triiodoisophthalamide, also known as Iohexol (CAS 66108-95-0) (TSUS item 405.34; HTS item 2924.29.40) until December 31, 1992. The column 2 rate of duty would remain unchanged.

Section 108, a provision originally introduced as H.R. 4295 by Mr. Clinger, would provide a temporary column 1 duty suspension for 3-ethyl-8-hydroxyquinoline (TSUS item 406.42, HTS item 2933.40.45) until December 31, 1992.

Section 109, a provision originally introduced as H.R. 1767 by Mr. Jacobs, would provide a temporary column 1 duty suspension for (6R,7R)-amino-3-chloro-8-oxa-5-thia-1-asabicyclo[4.2.0]-oct-2-ene-2-carboxylic acid, (4-nitrophenyl) methyl ester (TSUS 406.42, HTS 2934.90.40) until December 31, 1992.

Section 110, a provision originally introduced as H.R. 3773 by Mrs. Patterson, would suspend the column 1 rate of duty on MDBS and HPBA, plastic intermediates (TSUS items 406.42 and 407.05, HTS items 2932.90.41 and 2906.19.00, respectively), until December 31, 1992.

Section 111, a provision originally introduced as H.R. 3789 by Mr. Rose, would provide a temporary column 1 duty suspension for N-(2,6-dichloro-3-methylphenyl)-5-amino-1,3,4-triazole-2-sulfonamide (TSUS item 408.23 or 406.58, HTS item 2935.00.47) until December 31, 1992.

Section 112, a provision originally introduced as H.R. 4294 by Mr. Buechner, would temporarily suspend the column 1 rate of duty on Ioxaglate, an iodinated contrast medium used to enhance x-rays of the circulatory system, (TSUS item 405.34, HTS item 2924.29.40) until December 31, 1992.

Section 113, a provision originally introduced as H.R. 4294 by Mr. Stokes, would provide a temporary column 1 duty suspension for mixed ortho/para toluene sulfonomide (TSUS item 409.34, HTS item 2917.19.50) until December 31, 1992.

Section 114, a provision originally introduced as H.R. 3527 by Mr. Smith of Florida, would provide a temporary column 1 duty suspension for calcium carbaspirin (TSUS item 412.22, HTS item 2924.21.20.00) until December 31, 1992.

Section 115, a provision originally introduced as H.R. 4316 by Mr. Nagle, would provide a temporary column 1 duty suspension for sulfachloropyridazine-technical (TSUS item 411.87, HTS item 2935.00.39) until December 31, 1992.

Section 116, a provision originally introduced as H.R. 2947 by Mr. Brown, would provide a temporary column 1 duty suspension for carfentanil citrate, [TSUS item 412.36; HTS item 2933.30.30 (bulk form), 3004.90.60.03 (dosage form)] until December 31, 1992.

Section 117, a provision originally introduced as H.R. 1648 by Mr. Guarini, would provide a temporary column 1 duty suspension for tamoxifen citrate (TSUS item 412.42, HTS item 2922.19.10) until December 31, 1992.

Section 118, a provision originally introduced as H.R. 3475 by Mr. Inhofe, would temporarily suspend the duty on acetophenone (TSUS item 413.90 and HTS item 2914.30.00) until December 31, 1992.

Section 119, a provision originally introduced as H.R. 2314 by Mr. Gradison, would provide a column 1 duty suspension for L-ornithine diethyl ester dihydrochloride (TSUS item 425.06, HTS item 2922.49.50) until December 31, 1992.

Section 120, a provision originally introduced as H.R. 2755 by Mr. Mollohan, would temporarily suspend the column 1 rate of duty on analogues of methacrylomido glycolate methyl ether (TSUS item 425.22, HTS item 2924.1010) until December 31, 1992.

Section 121, a provision originally introduced as H.R. 3271 by Mr. Rose, would provide a column 1 duty suspension on thiothiamine hydrochloride (TSUS item 425.36, HTS item 2934.90.50) until December 1, 1992.

Section 122, a provision originally introduced as H.R. 4500 by Mr. Mollohan, would provide a temporary column 1 duty suspension for octadecyl isocyanate (TSUS item 425.52, HTS item 2929.10.40) until December 31, 1992.

Section 123, a provision originally introduced as H.R. 2313 by Mr. Gradison, would provide a temporary column 1 duty suspension for teicoplanin (TSUS item 438.02, HTS item 2942.00.50) until December 31, 1992.

Section 124, a provision originally introduced as H.R. 3637 by Mr. Pease, would temporarily suspend the duty on fluorspar (TSUS item 522.24 and HTS item 2529.21.00) containing not over 97 percent by weight of calcium fluoride, until December 31, 1992.

Section 125, a provision originally introduced as H.R. 4092 by Mr. Smith of New Jersey, would provide for a temporary duty reduction for ceramic statues, statuettes, and hand-made flowers (TSUS item 534.11, HTS item 6913.10.10, and 6913.90.10) until December 31, 1992, retroactive to December 31, 1987.

Section 126, a provision originally introduced as H.R 2444 by Mr. Miller of Washington, would provide a temporary column 1 duty suspension for luggage frames of aluminum (TSUS item 657.40, HTS item 7616.90.00) until December 31, 1992.

Section 127, a provision originally introduced as H.R. 4504 by Mr. Frenzel, would temporarily reduce the column 2 rate of duty on certain impact line printers (TSUS item 676.30, HTS 8471.92.65.80) until December 31, 1992.

Section 128, a provision originally introduced as H.R. 4679 by Mr. Skaggs, would provide a temporary column 1 duty suspension on infant nursery monitor systems, and infant nursery intercommunications devices systems (TSUS items 685.30, 685.16, 682.60 and 685.22, HTS items 8525.10.60, 8525.90.80, 8504.40.00, and 8525.20.20) until December 31, 1992.

Section 129, a provision originally introduced as H.R. 3626 by Mr. Bilbray, would temporarily suspend the column 1 rate of duty on "cameras capable of producing a three-dimensional effect on standard 35mm photographic film" (TSUS item 722.11, HTS item 9006.53.00) until December 31, 1992.

Section 130, a provision originally introduced as H.R. 1981 by Mr. Matsui, would temporarily suspend the column 1 rate of duty on certain magnetic video tape on which pictures or pictures and sound have been recorded (TSUS item 724.12, HTS item 8524.23.10) until December 31, 1992.

Section 131, a provision originally introduced as H.R. 4269 by Mr. Andrews, would provide a temporary duty suspension for furniture of unspun fibrous vegetable materials (TSUS items 727.11, 727.13, and 727.14, HTS items 9401.50.00, 9401.90.25, 9403.80.30 and 9403.90.25) until December 31, 1992.

Section 132, a provision orignally introduced as H.R. 4313 by Mr. McEwen, would provide a temporary column 1 duty suspension for certain bicycle parts (TSUS item 732.42, HTS item 8714.99.90) until December 31, 1992.

Section 133, a provision originally introduced as H.R. 1991 by Mr. Dreier, would temporarily suspend the column 1 rate of duty on certain unstuffed dolls and toy figures of animate objects (TSUS item 737.24 and 737.35, HTS item 9502.10.30 and 9503.49.00) until December 31, 1992.

Section 134, a provision originally introduced as H.R. 2544 by Mr. DioGuardi, will provide a column 1 duty suspension on cultured pearls and parts thereof (TSUS item 741.06, HTS item 7101.21.00 and 7101.22.00) until December 31, 1992.

Subtitle B - Extension of Existing Suspensions of Duty and Duty Reductions

Section 141(1), a provision originally introduced as H.R. 3139 by Mr. Crane, would temporarily reduce the column 1 rate of duty on fresh, chilled or frozen brussel sprouts (TSUS item 903.29 and HTS items 0704.20.00 and 0710.80.7020) until December 31, 1992, retroactive to December 31, 1987. The column 2 rate of duty remains unchanged.

Section 141(2), a provision originally introduced as H.R. 2412 by Mr. Miller of Ohio, would suspend the column 1 rate of duty on 3,5,6-trichlorosalicylic acid (TSUS 404.46, HTS 2918.90.45) through December 31, 1992, retroactive to December 31, 1987.

Section 141(3), a provision originally introduced as H.R. 2388 by Mr. Roe, would suspend the column 1 rate of duty on m-Aminophenol (TSUS item 404.92, HTS item 2922.29.10) until December 31, 1992, retroactive to December 31, 1987.

Section 141(4), a provision originally introduced as H.R. 3306 by Ms. Schneider, would extend the expired column 1 and 2 duty suspension for a p-acetamidobenzenesulfonyl chloride (TSUS item 405.31, HTS 2924.29.13) until December 31, 1992, retroactive to December 31, 1987.

Section 141(5), a provision originally introduced as H.R. 1768 by Mr. Jacobs, would temporarily suspend the column 1 rate of duty of a certain chemical intermediate (TSUS item 406.42, HTS item 2934.90.40) until December 31, 1992, retroactive to December 31, 1987.

Sections 141(6), 141(7), 141(8), 141(17), 141(18), and 141(24), provisions originally introduced as H.R. 2389 by Mr. Schuette, would provide a continuation of the column 1 duty suspensions for dicyclomine hydrochloride, mepenzolate bromide, desipramine hydrochloride, rifampin, terfenadine, clominphene citrate and lactulose (TSUS items 412.02, 412.35, 437.32, 411.58, 412.50, 439.50; HTS items 2922.49.20, 2933.39.35, 2925.20.20, 2941.20.00, 2933.39.35, 2921.19.10, 2940.00.00) until December 31, 1992, retroactive to December 31, 1987.

Section 141(9), a provision originally introduced as H.R. 2437 by Mr. Barnard, would provide a column 1 duty suspension for p-Hydroxybenzoic acid (TSUS item 404.42, HTS item 2918.29.22) until December 31, 1992, retroactive to September 30, 1985.

Sections 141(10) and 141(11), provisions originally introduced as H.R. 4395 by Mr. Wylie, would provide temporary column 1 duty suspensions for m-xylenediamine and 1,3-bis(aminomethyl) cyclohexane (TSUS items 404.88 and 407.05, HTS items 2921.51.50 and 2921.30.20) until December 31, 1992, retroactive to December 31, 1987.

Section 141(12), a provision originally introduced as H.R. 2418 by Mr. Rowland of Connecticut, would suspend the column 1 rate of duty on 4,4'bis(a,a,-dimethylbenzyl)diphenylamine through December 31, 1992, retroactive to December 31, 1987.

Section 141(13), a provision originally introduced as H.R. 2339 by Mr. Crane, would temporarily suspend the column 1 rate of duty for 4-chloro-3-methylphenol (TSUS item 403.57, HTS item 2908.10.50) until December 31, 1992, retroactive to December 31, 1987.

Section 141(14), a provision originally introduced as H.R. 2236 by Mr. Gejdenson, would continue the temporary column 1 duty suspension for uncompounded allyl resins (TSUS item 408.96, HTS item 3907.91) until December 31, 1992, retroactive to December 31, 1987.

Section 141(15), a provision originally introduced as H.R. 2421 by Mr. Sundquist, would temporarily suspend the column 1 rate of duty on amiodarone (TSUS item 412.12, HTS item 2933.90.30) until December 31, 1992, retroactive to December 31, 1987.

Section 141(16), a provision originally introduced as H.R. 2431 by Mr. Guarini, would temporarily reduce the column 1 rate of duty of caffeine (TSUS item 437.02, HTS 2939.30.00) until December 31, 1992, retroactive to December 31, 1987.

Section 141(19), a provision originally introduced as H.R. 4415 by Mr. Thomas of California, would extend the existing temporary column 1 duty suspension on yttrium bearing materials and yttrium compounds (TSUS items 423.00, 423.96, and 603.70; HTS items 2620.90.90, 2846.90.50) until December 31, 1992.

Sections 141(20), 141(21), 141(22), and 141(23), provisions originally introduced as H.R. 4167 by Mr. Green, would extend the existing temporary column 1 duty suspension for certain tartaric chemicals (TSUS items 425.94, 426.72, 426.76, 426.82, and HTS items 2918.12.00, 2918.13.10, 2918.13.20) until December 31, 1992.

Section 141(25), a provision originally introduced as H.R. 2033 by Mr. Archer, would temporarily suspend the column 1 rate of duty on diamond drill blanks (TSUS items 520.21 and 523.91, HTS items 6815.99.40 and 7102.29.50) until December 31, 1992, retroactive to September 30, 1987.

Section 141(26), a provision originally introduced as H.R. 4299 by Mr. Daub, would provide an extension of the duty arrangement on certain unwrought lead (TSUS item 624.03, HTS item 7801.10, 7801.99.90, 7801.91) until December 31, 1992.

Section 141(27), a provision originally introduced as H.R. 2386 by Mr. Pease, would provide an extension of the column 1 duty suspension on power-driven flat knitting machines and parts thereof (TSUS item 670.19, 670.20 and 670.74) until December 31, 1992.

Section 142 extends the expiration date of temporary duty suspensions and reductions provided for in H.R. 4848 from December 31, 1990, to December 31, 1992.

Title II - Miscellaneous Provisions

Section 201, a provision originally introduced as H.R. 2459 by Mr. Stratton, would provide duty-free treatment for entry number 86373030, a 29-bell carillon imported for use by the City of Albany, New York.

Section 202, a provision originally introduced as H.R. 4347 by Mr. Shaw, would provide for duty-free treatment of 18 bi-level rail passenger cars (TSUS item 690.15, HTS item 8605.00.00) entered during the period botween March 14, 1988, and January 1, 1989.

Section 203, a provision originally introduced as H.R. 4493 by Mr. Archer, would provide for duty free treatment of any entry of a digital processing unit that was classified under TSUS item 676.15, 676.54, 945.83, 945.84, 945.89, or 945.90 during the period from January 16, 1986 until January 1, 1988, and was unliquidated as of December 31, 1987.

Section 204, a provision originally introduced as H.R. 4677 by Mr. Pickle, would provide for duty-free treatment of tobacco grown in the United States and processed in a Caribbean Basin country (TSUS items 170.01, 170.05, 170.25, 170.28, 170.40, 170.50, 170.55, 170.66, 170.80, 170.10, 170.15, 170.20, 170.35, 170.45, HTS items 2401.10.20, 2401.10.40, 2401.10.60, 2401.10.80, 2401.20.05, 2401.20.20, 2401.20.40, 2401.20.60, 2401.20.80, 2401.30.30, 2401.30.60, 2401.30.90).

Section 205 provides for technical amendments to the Tariff Schedules of the United States.

Section 206 instructs the USTR to submit a report on the impact of these tariff suspensions and reductions to Congress by October 15, 1991.

Section 207 provides for the effective dates of this legislation.

Transmitted herein, in accordance with the rules of the Committee, are copies of the draft miscellaneous tariff bill as reported, and a report containing a comparison with present law, section-by-section analysis, and background and justification. Also included is an estimate of the effects on revenue of these provisions and a summary of statements received by the Subcommittee on Trade in response to seven requests for written comments issued by the Subcommittee. The Congressional Budget Office has not yet completed its estimate of the costs of carrying out this legislation but expects to have such an estimate available shortly.

I request that consideration of this legislation by the Committee on Ways and Means be scheduled as soon as possible.

Sincerely,

Sam M. Gibbons
Chairman

SMG/loc
Enclosures

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100TH CONGRESS
2D SESSION

H. R.

To provide for the temporary suspension or reduction of certain duties on imported merchandise, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. ROSTENKOWSKI introduced the following bill; which was referred to the Committee on

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A BILL

To provide for the temporary suspension or reduction of certain duties on imported merchandise, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REFERENCE.

Whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a schedule, headnote, item, the Appendix, or other provision, the

reference shall be considered to be made to a schedule, head-
note, item, the Appendix, or other provision of the Tariff Schedules of the United States (19 U.S.C. 1202).

TITLE I—TEMPORARY CHANGES IN TARIFF TREATMENT

Subtitle A—New Duty Suspensions and Reductions

SEC. 101. PLASTIC WEB SHEETING.

Subpart B of part 1 of the Appendix is amended—

(1) by adding at the end of the headnotes thereto the following new headnote:

"7. For purposes of item 915.11, the term 'nonwoven fiber sheet' means sheet comprised of a highly uniform and random array of polyester fibers 1.5 to 3.0 denier that is thermally bonded and calendered into a smooth surface web having—

"(a) a thickness of 3.7 to 4.0 mils;

"(b) a basis weight of 2.5 oz. per sq. yd.;

"(c) a machine tensile strength of 30 lb. per sq. in. or greater;

"(d) a low cross-direction tensile (approximately ⅓ of MD tensile strength); and

"(e) a Frazier air permeability of 1.0 to 1.5 cfm per sq. ft."; and

(2) by inserting in numerical sequence the following new item:

"	915.11	Nonwoven fiber sheet [illegible] item 355.25 part 4C, schedule 7).....	Free		No change	On or before 12/31/92	"

SEC. 102. NAPHTHALIC ACID ANHYDRIDE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	906.28	Naphthalic acid anhydride (provided for in item 404.32, part 1B, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 103. 2,6-HNA.

Subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting in numerical sequence the following item:

"	907.82	6-hydroxy-2-naphthoic acid (2,6-HNA) (provided for in item 404.46, part 1B, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 104. DIPHENOLIC ACID.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.02	Diphenolic acid (CAS No. 126-00-1) (provided for in item 404.47 part 1B, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 105. N-METHYLANILINE AND M-CHLOROANILINE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new items:

"	906.20	N-Methylaniline (provided for in item 404.72, part 1B, schedule 4)	Free			No change	On or before 12/31/92	
	906.21	m-Chloroaniline (provided for in item 404.88, part 1B, schedule 4)	Free			No change	On or before 12/31/92	".

SEC. 106. 3-(TRIFLUOROMETHYL) ANILINE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	906.33	3-(Trifluoromethyl) aniline (m-Aminobenzotri-fluoride) (provided for in item 404.88, part 1B, schedule 4)	Free			No change	On or before 12/31/92	".

SEC. 107. IOHEXOL.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	906.36	N,N'-Bis (2,3-dihydroxypropyl)-5-[N-(2,3-dihydroxypropyl)-acetamido]-2,4,6-triiodoisophthala-mide, known as Iohexol (CAS No. 66108-95-0) (provided for in item 406.34, part 1B, schedule 4)	Free			No change	On or before 12/31/92	".

SEC. 108. 3-ETHYL-8-HYDROXYQUINOLINE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	906.44	3-ethyl-8-hydroxyquinoline (provided for in item 406.42, part 1B, schedule 4)	Free			No change	On or before 12/31/92	".

SEC. 109. CEFACLOR MONOHYDRATE INTERMEDIATE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	906.49	(6R, 7R)-7-amino-3-chloro-8-oxa-5-thia-1-azabicyclo [4.2.0]- oct-2-ene-2-carboxylic acid, (4-nitrophenyl) methyl ester (provided for in item 406.42, part 1B, schedule 4)	Free		No change	On or before 12/31/92		"

SEC. 110. MDBS AND HPBA.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence each of the following new items:

"	906.70	Dimethylbenzylidene sorbitol (provided for in item 406.42, part 1B, schedule 4)	Free		No change	On or before 12/31/92		"; and
"	906.80	4,4'-Isopropylidenedi-cyclohexanol (provided for in item 407.05, part 1B, schedule 4)	Free		No change	On or before 12/31/92		"

SEC. 111. HERBICIDE INTERMEDIATE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.11	N-(2,6-Dichloro-3-methylphenol)-5-amino-1,3,4--triazole-2-sulfonamide (as provided for in item 406.58, part 1C, schedule 4)	Free		No change	On or before 12/31/92		"

SEC. 112. IOXAGLATE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical order the following new item:

"	907.77	N-(2,hydroxyethyl)-2,4,6-triiodo-5-[N2,4,6-triiodo-3-(N-methylacetamido)-5-(methylcarbamoyl) benzamido] acetamido-isophthalamic acid, known as ioxaglate (CAS No. 59017-64-0) (provided for in item 405.34, part 1B, schedule 4)	Free		No change	On or before 12/31/92	"

SEC. 113. MIXED ORTHO/PARA TOLUENE SULFONOMIDE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.80	Mixed ortho/para toluene sulfonomide (provided for in item 409.34, part 1C, schedule 4)	Free		No change	On or before 12/31/92	"

SEC. 114. CALCIUM CARBASPIRIN.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.44	Calcium carbaspirin (provided for in item 412.22, part 1C, schedule 4)	Free		No change	On or before 12/31/92	"

SEC. 115. SULFACHLOROPYRIDAZINE (TECHNICAL).

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.43	Sulfachloropyridazine (technical) (provided for in item 411.87, part 1C, schedule 4)	Free		No change	On or before 12/31/92	"

SEC. 116. CARFENTANIL CITRATE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.40	Carfentanil citrate (provided for in item 412.36, part 1C, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 117. TAMOXIFEN CITRATE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.43	Tamoxifen citrate (provided for in item 412.42, part 1C, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 118. ACETOPHENONE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following:

"	907.50	Acetophenone (at least 99% pure) (provided for in item 413.30, part 1C, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 119. L-ORNITHINE DIETHYL ESTER DIHYDROCHLORIDE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.51	L-ornithine diethyl ester dihydrochloride (L-Diethyl-2,5-diaminopentanoate dihydrochloride) (provided for in item 425.06, part 2D, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 120. CERTAIN NITROGENOUS COMPOUNDS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following:

"	907.50	Analogues of methacrylamido-glycolate methyl ether (provided for in item 425.22, part 2D, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 121. THIOTHIAMINE HYDROCHLORIDE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	908.23	Thiothiamine hydrochloride (provided for in item 425.36, part 2D, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 122. OCTADECYL ISOCYANATE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.26	Octadecyl isocyanate (provided for in item 425.52, subpart D, part 2, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 123. TEICOPLANIN.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	907.67	Teicoplanin (provided for in item 438.02, part 3B, schedule 4).....	Free		No change	On or before 12/31/92	"

SEC. 124. CERTAIN IMPORTED FLUORSPAR.

Subpart B of part 1 of the Appendix is amended by inserting in numerical order the following new item:

"	909.20	Fluorspar containing not over 97% by weight of calcium fluoride (provided for in item 522.24, part 1J, schedule 5)	Free		No change	On or before 12/31/92	"

SEC. 125. CERAMIC STATUES, STATUETTES, AND HAND-MADE FLOWERS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical order the following new item:

"	909.23	Statues, statuettes, and hand-made flowers, all the foregoing of ceramic ware (provided for in item 534.11, part 2C, schedule 5)	2.6% ad val.		No change	On or before 12/31/92	"

SEC. 126. ALUMINUM LUGGAGE FRAMES.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	911.92	Luggage frames of aluminum (provided for in item 657.40, part 3G, schedule 6)	Free		No change	On or before 12/31/92	"

SEC. 127. IMPACT LINE PRINTERS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical order the following item:

"	912.14	Impact line printers using band drive mechanisms and which are capable of printing speeds of not less than 1300 lines per minute (provided for in item 676.30, part 4C, schedule 6)	No change		3.75% ad val.	On or before 12/31/92	"

SEC. 128. CERTAIN INFANT NURSERY MONITORS AND INTERCOMS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new items:

"	912.50	Infant nursery monitor systems, each consisting, in the same package, of a radio transmitter, an electrical adapter, and a radio receiver (provided for in item 685.30, 682.60, and 685.16, part 5, schedule 6)	Free		No change	On or before 12/31/92	
	912.51	Infant nursery intercommunication systems, each consisting, in the same package, of a pair of transceivers operating on frequencies from 49.82 to 49.90 mHz and an electrical adapter (provided for in items 685.22 and 682.60, part 5, schedule 6)	Free		No change	On or before 12/31/92	"

SEC. 129. 3-DIMENSIONAL CAMERAS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	912.22	Cameras capable of producing a 3-dimensional effect on standard 35mm photographic film (provided for in item 722.11, part 2F, schedule 7).....	Free		No change	On or before 12/31/92	"

SEC. 130. MAGNETIC VIDEO TAPE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	913.00	Magnetic video tape on which pictures or pictures and sound have been recorded, of a width not exceeding ½ inch, in cassettes of United States origin as certified by the importers, and valued at not over $7 per pre-recorded cassette unit (provided for in item 724.12, part 2G, schedule 7).....	Free		No change	On or before 12/31/92	"

SEC. 131. RATTAN FURNITURE.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	912.25	Furniture of unspun fibrous vegetable materials (provided for in item 727.11, 727.13, or 727.14, part 4A, schedule 7).....	Free		No change	On or before 12/31/92	"

SEC. 132. CERTAIN BICYCLE PARTS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new items:

"	912.22	Bicycle handlebar stems, wholly of aluminum alloy, valued over $2.15 each (provided for in item 732.42, part 5C, schedule 7)	Free		No change	On or before 12/31/92	
	912.23	Bicycle handlebar stem rotor assemblies (provided for in item 732.42, part 5C, schedule 7)	Free		No change	On or before 12/31/92	"

SEC. 133. CERTAIN UNSTUFFED DOLLS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	912.31	Unstuffed dolls (with or without clothing) and toy figures of animate objects, capable of electromechanical movement of body parts activated by, and synchronized with, an internal cassette tape or microprocessor (provided for in items 737.24 and 737.35, part 5E, schedule 7)	Free		No change	On or before 12/31/92	"

SEC. 134. CULTURED PEARLS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

"	912.40	Cultured pearls and parts thereof (provided for in item 741.06, part 6B, schedule 7)	Free		No change	On or before 12/31/92	"

Subtitle B—Extension of Existing Suspensions of Duty and Duty Reductions

SEC. 141. EXTENSION OF CERTAIN EXISTING SUSPENSIONS OF DUTY AND DUTY REDUCTIONS.

Each of the following items are amended by striking out the date in the effective date column and inserting "12/31/92":

(1) Item 903.29 (relating to fresh, chilled, or frozen brussels sprouts).

(2) Item 906.30 (relating to trichlorosalicylic acid).

(3) Item 906.32 (m-Aminophenol).

(4) Item 906.38 (p-acetaminobenzenesulfonyl chloride).

(5) Item 906.51 (carboxylic acid disolvate).

(6) Item 906.53 (relating to dicyclomine hydrochloride and mepenzolate bromide).

(7) Item 906.54 (relating to desipramine hydrochloride).

(8) Item 906.99 (relating to rifampin).

(9) Item 907.00 (relating to p-hydroxybenzoic acid).

(10) Item 907.03 (relating to m-xylenediamine).

(11) Item 907.04 (relating to 1,3-bis(aminomethyl) cyclohexane).

(12) Item 907.06 (relating to 4,4'bis(a,a-dimethylbenzyl) diphenylamine).

(13) Item 907.08 (relating to 4-chloro-3-methylphenol).

(14) Item 907.16 (relating to uncompounded allyl resins).

(15) Item 907.18 (relating to certain forms of amiodarone).

(16) Item 907.22 (relating to caffeine).

(17) Item 907.25 (relating to terfenadine).

(18) Item 907.42 (relating to clomiphene citrate).

(19) Item 907.51 (relating to certain yttrium materials and compounds).

(20) Item 907.65 (relating to tartaric acid).

(21) Item 907.66 (relating to potassium salts: Antimony tartrate).

(22) Item 907.68 (relating to cream of tartar).

(23) Item 907.69 (relating to sodium tartrate).

(24) Item 907.76 (relating to lactulose).

(25) Item 910.00 (relating to diamond drill blanks).

(26) Item 911.50 (relating to unwrought lead).

(27) Item 912.13 (relating to certain power-driven flat knitting machines and parts thereof).

SEC142

SEC. 142. EXTENSION OF DUTY SUSPENSIONS AND REDUCTIONS AND RELATED PROVISIONS PROVIDED FOR IN H.R. 4848.

If H.R. 4848 of the 100th Congress, the Omnibus Trade and Competitiveness Act of 1988, is enacted into law, then--

(1) each--

(A) new item that, under subpart B of part 1 of subtitle G of title I of such Act of 1988, is added to the Appendix and has an effective period until January 1, 1991, and

(B) existing item of the Appendix the effective period of which, under such subpart B, is extended until January 1, 1991,

is amended by striking out ``12/31/90'' and inserting ``12/31/92''; and

(2) section 3(b) of the Act of June 18, 1934 (commonly known as the Foreign Trade Zones Act, 19 U.S.C. 81c(b)), is amended by striking out ``January 1, 1991'' and inserting ``January 1, 1993''.

TITLE II—MISCELLANEOUS PROVISIONS

SEC. 201. FOR THE RELIEF OF THE CITY OF ALBANY, NEW YORK.

The 29-bell carillon made by John Taylor and Company, of England, that was imported for the use of the city of Albany, New York, on September 8, 1986, under entry numbered 86373030 shall be considered to have been admitted free of duty on the date of entry. If the liquidation of the entry has become final, the Secretary of the Treasury, if request therefor is filed with the customs officer concerned within 90 days after the date of the enactment of this Act,

shall reliquidate the entry and make the appropriate refund of any duty paid.

SEC. 202. FOR THE RELIEF OF THE STATE OF FLORIDA.

Notwithstanding section 514 of the Tariff Act of 1930 (19 U.S.C. 1514) or any other provision of law, the Secretary of the Treasury shall admit free of duty each bi-level rail passenger car that is—

(1) classified under item 690.15 of the Tariff Schedules of the United States (19 U.S.C. 1202);

(2) certified by the importer as being for the use of the Department of Transportation of the State of Florida; and

(3) entered after March 14, 1988, and before January 1, 1989.

If the liquidation of the entry of any such rail car has become final before the date of the enactment of this Act, then, notwithstanding any other provision of law and upon proper request filed with the appropriate customs officer within 90 days after the date of the enactment of this Act, the entry shall be reliquidated in accordance with the provisions of this section and the appropriate refund of duty made.

SEC. 203. TARIFF TREATMENT OF CERTAIN ENTRIES OF DIGITAL PROCESSING UNITS.

Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, upon proper request filed with

the appropriate customs officer within 180 days after the date of the enactment of this Act, any entry of a processing unit that—

(1) was classified under item 676.15, 676.54, 945.83, 945.84, or 945.89 of the Tariff Schedules of the United States (19 U.S.C. 1202);

(2) occurred after January 16, 1986, and before January 1, 1988; and

(3) was unliquidated as of December 31, 1987;

shall be liquidated as duty free. For purposes of this section, the term "processing unit" means a digital processing unit for an automated data processing machine, unhoused, consisting of a printed circuit (single or multiple) with one or more electronic integrated circuits or other semiconductor devices mounted directly thereon.

SEC. 204. TOBACCO PROCESSED IN CARIBBEAN BASIN COUNTRIES.

Section 213(a) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2704(a)) is amended—

(1) by striking out "Unless" in paragraph (1) and inserting "Except as provided in paragraph (5) and unless"; and

(2) by adding at the end thereof the following new paragraph:

"(5) Notwithstanding the limitations set forth in this subsection, the duty-free treatment provided under this title shall apply to the entry of any tobacco grown in the United States, and any product made from such tobacco, that—

"(A) is processed, advanced in value, or improved in condition in a designated beneficiary country; and

"(B) is not processed, advanced in value, or improved in condition in any country other than a designated beneficiary country or the United States.".

SEC. 205. TECHNICAL AMENDMENTS.

Subpart B of part 1 of the Appendix is amended—

(1) by striking out "412.02" in item 906.53 and inserting "412.03"; and

(2) by striking out "Tool blanks and drill" in item 910.00 and inserting "Drill".

SEC. 206. REPORT ON URUGUAY ROUND RECIPROCITY.

The United States Trade Representative shall report to the Congress no later than October 15, 1991, with respect to—

(1) the amount of trade entering the United States under each item as to which duties have been temporarily suspended or reduced under this Act;

(2) the principal foreign supplier of each product that is subject to such duty suspension or reduction; and

(3) whether each such foreign supplier has offered reciprocal and equivalent tariff concessions to the United States.

SEC. 207. EFFECTIVE DATES.

(a) DEFINITION.—For purposes of this section, the term "effective date" means the 15th day after the later of—

(1) October 1, 1988; or

(2) the date of the enactment of this Act.

(b) IN GENERAL.—

(1) Except as otherwise provided in this section, the amendments made by this Act apply with respect to articles entered, or withdrawn from warehouse for consumption, on or after the effective date.

(2) The amendments made by section 141 (19), (20), (21), (22), (23), (26), and (27) apply with respect to articles entered, or withdrawn from warehouse for consumption, after December 31, 1988.

(3) The amendments made by section 142 apply with respect to articles entered, or withdrawn from warehouse for consumption, after December 31, 1990.

(c) RETROACTIVE APPLICATION FOR CERTAIN LIQUIDATIONS AND RELIQUIDATIONS.—

(1) Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, upon proper request filed with the appropriate customs officer during

the 180-day period beginning on the effective date, any entry—

(A) which was made after the applicable date and before the effective date; and

(B) with respect to which there would have been no duty or a lesser duty if any amendment made by section 141 applied to such entry

shall be liquidated or reliquidated as though such amendment applied to such entry.

(2) For purposes of this subsection—

(A) The term "applicable date" means—

(i) if the amendment described in paragraph (1)(B) is made by or any paragraph of section 141 other than paragraphs (9), (19), (20), (21), (22), (23), (26), or (27), December 31, 1987; and

(ii) if such amendment is made by paragraph (9) of section 141, September 30, 1985.

(B) The term "entry" includes any withdrawal from warehouse.

TITLE I - TEMPORARY CHANGES IN TARIFF TREATMENT

SUBTITLE A - NEW DUTY SUSPENSIONS AND REDUCTIONS

SECTION 101. PLASTIC WEB SHEETING
(Originally introduced as H.R. 1360
by Mr. Frenzel)

Summary of Provision

Section 101 would temporarily suspend the column 1 rate of duty on certain plastic web sheeting (TSUS item 355.25, HTS item 5603.00.20) used in the production of reverse osmosis water purification systems until December 31, 1992.

Section-by-Section Analysis

Section 101 would temporarily suspend the column 1 rate of duty on certain non-woven fiber sheets of polyester fibers. It would create a new tariff item (TSUS item 905.20) providing for the temporary duty-free treatment of non-woven fiber sheet comprised of a highly uniform and random array of polyester fibers 1.5 to 3.0 denier that is thermally bonded and calendered into a smooth-surfaced web having a thickness of 3.7 to 4.0 mils, a basis weight of 2.5 oz/square yard, a machine direction tensile strength of 30 lb/square inch or greater, a low cross-direction tensile (approximately one-third of MD tensile strength) and a Frazier air permeability of 1.0 to 1.5 cfm/square foot. The non-woven sheets or webbing are currently classified for tariff purposes as a textile article in TSUS item 355.25, non-woven fabrics of manmade fibers, dutiable at a column 1 rate of 12.5 percent ad valorem. In addition, they are subject to U.S. import controls on man-made fiber textiles.

Background and Justification

This product, known as awa paper by the Japanese, is a non-woven web sheeting of man-made fibers bonded with resin. The product, after being coated with a plastic film or membrane, is used in the filter element by original equipment manufacturers of water purification systems. The web sheeting is a critical component of the reverse osmosis filter element, which is used in making potable water from brackish ground water, sea water, or other water containing high concentrations of salt. This non-woven webbing must have a precise thickness and uniform density, characteristics which are critical in meeting the performance criteria of the demanding applications of the filter elements. If the performance criteria are met, salt particles as small as .003 micrometers can be strained using reverse osmosis. Any variability in the thickness or density of the web used in the filter element would compromise the usefulness of the product.

Major markets for purification systems are countries with a growing need for potable water due to increasing populations and pollution. Japan's semiconductor industry and the computer chip industry in California also require pure water during production.

This legislation is intended to reduce the cost of this material, which is not produced in the United States, to U.S. consumers and enhance the competitiveness of U.S. exports.

U.S. producers of the non-woven sheeting covered by the provision manufacture other products as well. At least five U.S. firms produce the sheeting: The Kendall Company, Eaton-Dikeman, The Inter Tech Group, Pallon Corporation, and Lydall, Inc.; several more reportedly are involved in research and development or have the ability to produce the sheeting.

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The five companies are believed to account for more than 90 percent of total domestic production. Together they employ approximately 500 workers in the production of such webbing. The InterTech Group is vertically integrated and produces the webbing through to the finished filter. The other manufacturers produce only the webbing and sell it for further processing.

Data are not available on U.S. production of the non-woven webbing covered by this bill. However, U.S. production of non-woven, man-made fiber webbing used in the manufacture of water purification filters, is estimated to have been 2.7 million square yards, valued at $2.2 million, in 1986. The unit value was approximately 80 cents per square yard.

Import data are not available for non-woven webbing covered by this legislation. However, imports accounted for approximately 36 percent of domestic consumption, or approximately 1.5 million square yards, in 1986. Virtually all the imports are supplied by Japan and are entered by two firms, FilmTech Corp. and Desalization System, with FilmTech accounting for more than 70 percent of the imports:

U.S. exports of the subject webbing are believed to be nil. However, the webbing is exported as a component of the finished reverse osmosis filter elements.

Data are not available on apparent consumption of the non-woven webbing covered by this bill. However, the domestic market is estimated to be 4.2 million square yards in 1986.

Comparison with Present Law

Tariff treatment under the TSUS.--The rates of duty currently applicable to U.S. imports of certain non-woven sheets of man-made fibers used in the filter element for water purification (awa paper) are classified under TSUS item 355.25 at a column 1 rate of duty of 12.5 percent ad valorem, a special column rate of duty of 5 percent ad valorem, and a column 2 rate of duty of 74 percent ad valorem. Counsel for FilmTech Corp. is of the opinion that awa paper should be classified in TSUS item 771.43 (certain plastic sheets) with a 4.2 percent ad valorem rate of duty. However, the Customs Service classifies awa paper as a textile article in TSUS item 355.25, since any paper or sheet formed of man-made fibers that are 4 to 5 millimeters or greater in length is considered a non-woven fabric.

Imports entered under TSUS item 355.25 are not eligible for duty-free entry under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA). Imports from Israel under TSUS item 355.25 are dutiable at a lower rate of 5 percent ad valorem.

Tariff treatment under the proposed Harmonized System (HTS). The subject non-woven web sheeting of man-made fibers (awa paper) would be classifiable as HTS item 5603.0020, with a column 1 rate of duty of 12.5 percent ad valorem, and a column 2 rate of duty of 74 percent ad valorem.

Effects on Revenue

Based on estimated imports in 1986, the loss in import duties resulting from passage of this bill would be approximately $150,000 annually.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on March 18, 1987.

The ITC submitted an informative report on July 2, 1987.

The Department of Commerce submitted an adverse report on July 13, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#4) dated March 20, 1987.

WRITTEN COMMENTS RECEIVED
ON H.R. 1360

Supports:

Members of Congress

The Honorable Bill Frenzel, M.C., Minnesota

Opposed:

Private Sector

Association of the Nonwoven Fabrics Industry

American Textile Manufacturers Institute, Inc.

SECTION 102. NAPHTHALIC ACID ANHYDRIDE
(Originally introduced as H.R. 4296
by Mr. Clinger)

Summary of Provision

Section 102 would provide a temporary column 1 duty suspension on imports of naphthalic acid anhydride (TSUS item 404.32, HTS item 2917.39.10) until December 31, 1992.

Section-by-Section Analysis

This provision would temporarily suspend the column 1 rate of duty on imports of naphthalic acid anhydride (also called naphthalic anhydride and 1,8-naphthalic anhydride (CAS No. 81-84-5), provided for in item 404.32 of the Tariff Schedules of the United States (TSUS). The provision would amend part 1B of the Appendix to the TSUS to add new item 906.28, to provide duty-free entry to articles from countries entitled to most-favored-nation (MFN) treatment, until December 31, 1992. The special and column 2 rates of duty would remain unchanged.

Background and Justification

The purpose of this legislation is to reduce the cost of this product to U.S. consumers.

Naphthalic acid is normally prepared in a batch process by the oxidation of the chemical acenaphthene with mixtures of chromic acid. The naphthalic acid is then dehydrated to produce naphthalic acid anhydride. The subject chemical is used in the production of certain pigments incorporated into automotive paints. A significant portion of the pigments produced from naphthalic anhydride are exported.

There was no domestic production of naphthalic acid anhydride reported to the ITC during 1983-87. Industry trade journals and chemicals buyer's catalogs report that the subject chemical can be purchased from four domestic firms; namely, Aceto Corporation, New York, New York; Aldrich Chemical Company, Inc., Milwaukee, Wisconsin; Chemisphere Corporation, Boonton, New Jersey; and Ruetgers-Nease Chemical Company, State College, Pennsylvania. All of these firms supply their customers from imports of naphthalic acid anhydride.

Separate statistics for imports of the subject chemical are not available because it is classified in a TSUS item number containing two other chemicals. Imports of naphthalic acid anhydride were estimated approximately 686,000 pounds, valued at $969,000, in 1983, increasing to 1.8 million pounds, valued at $3.8 million, in 1987. West Germany was the principal supplying country for these imports, accounting by value for 99.9 percent of imports in 1983, and 98 percent of imports of this chemical in 1987. The quantity and value of imports are expected to remain at the 1987 level during 1988-92.

U.S. export data for the subject chemical are not available because it is classified in a residual (basket) Schedule B provision. There were little or no exports of this chemical during 1983-87.

Apparant domestic consumption during 1983-87 was essentially the same as imports.

Comparison with Present Law

Tariff treatment under the TSUS.--Naphthalic acid anhydride is currently classified under TSUS item 404.32 and has a column 1 rate of duty of 6.9 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 37 percent ad valorem. The chemical is not presently eligible for duty-free entry under the Generalized System of Preferences (GSP); however, it is eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA) and the U.S.-Israel Free Trade Area Implementation Act of 1985, as shown in the special rates of duty column.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--Naphthalic acid anhydride is provided for in HTS subheading 2917.39.10. The column 1 rate of duty upon implementation of the HTS is proposed to be 6.9 percent ad valorem.

Effects on Revenue

The following are the estimated customs revenue losses during 1988-90: $124,000 in 1988, $248,000 in 1989, $248,000 in 1990, $248,000 in 1991 and $248,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 7, 1988.

The ITC submitted an informative report on June 15, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988. No comments were received.

SECTION 103. 2,6-HNA
(Originally introduced as H.R. 2208
by Mr. Jenkins)

Summary of Provision

Section 103 would provide a temporary column 1 duty suspension for 2,6-HNA (TSUS item 404.46, HTS item 2918.29.50) until December 31, 1992.

Section-by-Section Analysis

Section 103 would temporarily suspend the column 1 rate of duty for 6-hydroxy-2-naphthoic acid (known as 2,6-HNA) classified in item 404.46 of the Tariff Schedules of the United States (TSUS). This section would amend subpart B of part 1 of the Appendix to the TSUS to add item 907.81, to provide duty-free entry for articles imported from countries entitled to MFN treatment until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

The chemical, 6-hydroxy-2-naphthoic acid, is used to produce a proprietary liquid-crystal resin. Currently, there are no other commercial uses for the subject chemical.

The purpose of this legislation is to reduce the cost of this imported drug to U.S. consumers.

The chemical is used by only one company, The Hoechst-Celansese Corporation, to manufacture a proprietary liquid-crystal resin. There is at least one other producer of a liquid-crystal resin in the United States; namely Premark International, Inc., located in Northbrook, Illinois. Although Premark does not use 2,6-HNA in the production of their product, both the Premark liquid-crystal resin and the Hoechst-Celanese resin could be used to produce end-products with very similar physical characteristics, such as a high heat distortion point and a high tensile strength.

There was no domestic production of 2,6-HNA reported to the ITC during 1981-86.

Data for U.S. imports of 2,6-HNA during 1981-86 are not available as the chemical is classified in a residual (basket) TSUS item. During the period 1982-86, imports were estimated to have increased from a value of $200,000 to $300,000, or by 50 percent. And from 1988-90 imports will increase from $1.0 million to $3.0 million. The principal sources of these imports are estimated to be from West Germany and Japan.

U.S. export data for 2,6-HNA are not available as this chemical is classified in a residual (basket) Schedule B provision. There were no U.S. exports of the subject chemical during 1981-86.

Data for domestic consumption of this chemical are not available; however, industry sources stated that during 1981-86 domestic consumption was essentially the same as imports.

Comparison with Present Law

Tariff treatment under the TSUS.--The chemical, 2,6-HNA, is currently classified in item 404.46, a residual (basket) item (Carboxylic acids with alcohol, phenol, aldehyde, or ketone function and other single or complex oxygen-function carboxylic acids and their anhydrides, halides, peroxides, and peracids, and their halogenated, sulfonated, nitrated, or nitrosated derivatives: Other: Products provided for in the Chemical Appendix to

the Tariff Schedules) with a column 1 rate of duty of 1.7 cents per pound plus 17.9 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 57 percent ad valorem. The present item number was established on July 1, 1980, with no concessions for staged reduction. The chemical is not eligible for duty-free treatment under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the U.S.-Israel Free Trade Area Implementation Act of 1985, as indicated in the "Special" column.

Tariff treatment under the proposed Harmonized System (HTS).--The Harmonized System (HTS) commodity code number for 2,6-HNA is 2918.29.50 (Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulfonated, nitrated or nitrosated derivatives: Other: Other: Other). The proposed column 1 rate of duty upon implementation of the HTS will be 3.7 cents per kilogram plus 17.9 percent ad valorem.

Effect on Revenue

The following are expected annual revenue losses during 1988-90; $184,000 in 1988 (based on January 1, 1988, enactment), $368,000 in 1989; and $552,000 in 1990. Annual revenue losses for 1991 and 1992 are estimated to equal the 1990 revenue loss of $552,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 11, 1987.

The ITC submitted an informative report on July 13, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 104. DIPHENOLIC ACID
(Originally introduced as H.R. 4374
by Mr. Jenkins)

Summary of Provision

Section 104 would temporarily suspend the column 1 rate of duty on diphenolic acid (TSUS item 404.47, HTS item 2918.29.50) until December 31, 1992.

Section-by-Section Analysis

Section 104 would temporarily suspend the column 1 rate of duty on imports of diphenolic acid (CAS No. 126-00-1 provided for in item 404.47 of the Tariff Schedules of the United States (TSUS). The provision would amend part 1B of the Appendix to the TSUS to add new item 907.02, to provide duty-free entry of articles from countries entitled to most-favored-nation treatment (MFN) until December 31, 1992. The special and column 2 rates of duty would remain unchanged.

Background and Justification

The purpose of the legislation is two fold: (1) to eliminate an import duty that does not protect any segment of the domestic industry, since diphenolic acid is not produced in the United States; and (2) to increase a U.S. company's competitiveness in the marketplace.

Diphenolic acid is a benzenoid intermediate chemical produced from levulinic acid and phenol. Diphenolic acid is principally used as a modifier for tall oil based polyamides used in certain printing inks for carbon less paper.

There is no domestic production of diphenolic acid. Presently the only commercial scale producer of diphenolic acid worldwide is the French chemical company, Rhone-Poluenc at Gennevilliers, France. Diphenolic acid is also produced in small quantities by the Otsuka Chemical Co. in Otsuka, Japan.

Separate statistics for imports of the subject chemical are not available because it is classified in a residual (basket) TSUS item. Imports were estimated to have been approximately 100,000 pounds annually during 1983-87. The unit price of these imports averaged about $2.80 during this period. The principal supply country of the imports was France. Imports of diphenolic acid are expected to increase at a rate of 3 to 5 percent annually during 1989-92.

U.S. export data for the subject chemical are not available because it is classified in a residual (basket) Schedule B provision. However, exports of the subject chemical are estimated to have been negligible during 1983-87.

Data for domestic consumption of diphenolic acid are not available; however, since the chemical is not produced domestically, imports are equivalent to consumption.

Comparison with Present Law

Tariff treatment.--Diphenolic acid is currently classified in TSUS item 404.47 and has a column 1 rate of duty of 13.5 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 57 percent ad valorem. The chemical is not presently eligible for duty-free entry under the Generalized System of Preferences (GSP);

however, it is eligible for such treatment under the Caribbean Basin Economic Recovery Act (CBERA) and under the United States-Israel Free Trade Act of 1985, as shown in the special rates of duty column.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--The subject chemical is provided for in HTS subheading 2918.29.40. The column 1 rate of duty upon implementation of the HTS is proposed to be 13.5 percent ad valorem.

Effects on Revenue

The following are the estimated customs revenue losses during 1989-91: $431,000 in 1989; $474,000 in 1990, $495,000 in 1991 and $495,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 25, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 27, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4374

Supports:

Members of Congress

The Honorable Ed Jenkins, M.C., Georgia

SECTION 105. N-METHYLANILINE and M-CHLOROANILINE
(Originally introduced as H.R. 3426
by Mr. Clinger)

Summary of Provision

Section 105 would temporarily suspend the column 1 rate of duty on N-methylaniline (TSUS item 404.72 and HTS item 2921.42.20) and m-chloroaniline (TSUS item 404.88 and HTS item 2921.42.50) until December 31, 1992.

Section-by-Section Analysis

Section 105 would suspend the column 1 rate of duty for imports of N-methylaniline and m-chloroaniline provided for in items 404.72 and 404.88, respectively, of the Tariff Schedules of the United States (TSUS). The provision would amend part 1B of the Appendix to the TSUS to add new items 908.20 and 908.21, which would provide duty-free entry for articles from countries entitled to most-favored-nation treatment (MFN) until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

N-Methylaniline is a colorless to slightly yellow liquid manufactured from aniline. The other chemical, m-chloroaniline, is also a liquid produced from 1-chloro-3-nitrobenzene. Both of the subject chemicals are used to manufacture dyes.

The purpose of this legislation is to reduce the cost of these chemicals to the domestic consumers.

There was no production of N-methylaniline reported to the ITC during 1982-86. However, over the same period ITC records show that m-chloroaniline has been produced by various chemical firms as follows:

Year	Company
1986	First Chemical Corp.
1985	First Chemical Corp.
1984	First Chemical Corp. Vertac Chemical Corp.
1983	E.I. Dupont de Nemours and Co., Inc.
1982	E.I. Dupont de Nemours and Co., Inc.

The quantity and value of sales of m-chloroaniline by these companies are not available because disclosure thereof would reveal confidential business information.

Separate statistics for imports of the subject chemicals are not available as these products are not classified individually in the TSUS. However, estimated imports of N-methylaniline declined from $182,000 in 1982 to $112,000 in 1986. West Germany was the principal source of these imports in 1986. Imports of this chemical are expected to remain fairly constant during 1987-90. Imports of m-chloroaniline are estimated to have increased from $715,000 in 1982, to $883,000 in 1986, or by about 24 percent. West Germany and the United Kingdom were the principal sources of these imports. The import rate of growth for m-chloroaniline is expected to be about 2% annually over 1987-90.

U.S. export data for the subject chemicals are not available as these chemicals are classified in a residual (basket) Schedule B provision. Exports of these products were negligible or non-existent.

Data for domestic consumption of N-methylaniline are not available; domestic consumption of N-methylaniline was essentially the same as imports during 1982-86. Domestic consumption of m-chloroaniline was essentially the same as production plus imports during 1982-86.

Comparison with Present Law

Tariff treatment under the TSUS.--N-methylaniline is currently classified under TSUS item 404.72 (Amines and their derivatives (con.) with a column 1 rate of duty of 6.1 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 37 percent ad valorem. The chemical is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA) and the U.S.-Israel Free Trade Area Implementation Act of 1985 indicated in the "Special" rates of duty column.

M-Chloroaniline is currently classified under TSUS item 404.88 (Other: products provided for in The Chemical Appendix to the Tarriff Schedules) with a column 1 rate of duty of 1.1 cents per pound plus 18.8 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 60 percent ad valorem. The chemical is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA). The "Special" column includes a rate of duty of 0.4 cents per pound plus 7.5 percent ad valorem for imports of this chemical under the terms of the U.S.-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The HTS subheading for N-methylaniline is 2921.42.20 (Aniline derivatives and their salts). The column 1 rate of duty upon implementation of the HTS will be 5.8 percent ad valorem. The second chemical, m-chloroaniline, is classified under HS subheading 2921.42.50 (Aniline derivatives and their salts: Other). The column 1 rate of duty will be 2.4 cents per kilogram plus 18.8 percent ad valorem upon implementation of the HTS.

Effects on Revenue

Based on the total estimated value of future imports of the subject chemicals, the expected annual revenue losses are $190,000 in 1988 (based on January 1, 1988 enactment), $194,000 in 1989, and $198,000 in 1990. Annual revenue losses for 1991 and 1992 are estimated at $198,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on October 30, 1987.

The ITC submitted an informative report on February 4, 1988.

The Department of Commerce submitted a no objection report on June 2, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release #12 dated October 22, 1987. No comments were received.

SECTION 106. 3-(TRIFLUOROMETHYL)ANILINE
(Originally introduced as H.R. 1625
by Mr. McMillan)

Summary of Provision

Section 106 would temporarily suspend the column 1 rate of duty on 3-(trifluoromethyl)aniline (TSUS item 404.88, HTS item 2921.42.50) until December 31, 1992.

Section-by-Section Analysis

Section 106 would temporarily suspend the column 1 rate of duty for 3-(trifluoromethyl)aniline (also known as m-aminobenzotrifluoride), currently classified in item 404.88 of the Tariff Schedules of the United States (TSUS). The provision would amend subpart B of the Appendix to the TSUS to add item 906.31, with free entry for articles from countries entitled to MFN treatment until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

The chemical, 3-(trifluoromethyl)aniline, is used principally to produce the pesticide, norflurazon, which is the active ingredient in a pre-emergence herbicide sold under the trade name, Zorial Rapid 80, by the Sandoz Crop Protection Corporation. No other significant commercial use of 3-(trifluoromethyl)aniline is known.

The purpose of the legislation is to reduce the cost of this pesticide intermediate to the U.S. consumer.

There has been no domestic production of 3-(trifluoromethyl) aniline since 1984. One domestic firm, however, has idle production capacity of approximately 5,000,000 pounds. There are also domestic producers of several competitive post-emergence herbicides, as well as domestic production of the intermediates used to produce them.

As 3-(trifluoromethyl)aniline is classified in a residual (basket) TSUS item, the quantity or value of imports are not available. However, more than 1 million pounds are imported annually from France. These imports are expected to increase modestly during 1988-90.

U.S. export data for 3-(trifluoromethyl)aniline are not available as this chemical is classified in a residual (basket) Schedule B number. According to industry sources, however, exports are negligible or non-existent as most of it is consumed in the production of the pre-emergence herbicide.

Data for domestic consumption are not available; however, because of the lack of domestic production, consumption of this chemical equals U.S. imports of the chemical.

Comparison with Present Law

Tariff treatment under the TSUS.--The chemical is presently classified in item 404.88. The duty rate for column 1 countries is 1.1 cents per pound plus 18.8 percent ad valorem. The column 2 duty rate is 7 cents per pound plus 60 percent ad valorem. The chemical is not eligible for duty-free treatment under the

Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA). Imports of 3-(trifluoromethyl)aniline from Israel are subject to a duty of 0.4 cents per pound plus 7.5 percent ad valorem under the United States-Israel Free Trade Area Implementation Act of 1985 as indicated in "Special" column.

Tariff treatment under the proposed Harmonized System (HTS).--The HTS commodity code number for 3-(trifluoromethyl) aniline is 2921.42.50, (amine-function compounds: aromatic monoamines and their derivatives; salts thereof: aniline derivatives and their salts: Other: Other: Other.) The column 1 rate of duty upon implementation of the HTS will be 2.4 cents per kilogram plus 18.8 percent ad valorem.

Effects on Revenue

Based on estimates of future imports, the following are expected annual revenue losses during 1988-90: $590,000 in 1988 (based on January 1, 1988 enactment), $595,000 in 1989, $610,000 in 1990, $610,000 in 1991 and $610,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 15, 1987.

The ITC submitted an informative report on June 23, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

WRITTEN COMMENTS RECEIVED
ON H.R. 1625

Supports:

Private Sector

Sandox Crop Protection Corporation

SECTION 107. IOHEXOL
(Originally introduced as H.R. 3513
by Mr. Ford of Tennessee)

Summary of Provision

Section 107 would suspend the column 1 rate of duty on N,N'-Bis (2,3-dihydroxypropyl)-5-(N-(2,3-dihydroxypropyl)-acetamido]-2,4,6-triiodoisophthalamide, also known as Iohexol (CAS 66108-95-0) (TSUS item 405.34; HTS item 2924.29.40) until December 31, 1992. The column 2 rate of duty would remain unchanged.

Section-by-Section Analysis

Section 107 would temporarily suspend the column 1 rate of duty on imports of N,N'-Bis (2,3-dihydroxpropyl)-5-(N-(2,3-dihydroxypropyl)-acetamido]-2,4,6-triiodoisophthalamide (also called iohexol (CAS 66108-95-0), provided for in item 405.34 of the Tariff Schedules of the United States (TSUS). This provision would amend part 1B of the Appendix to the TSUS to add a new item, 908.26, to provide duty-free entry to articles from countries entitled to most-favored-nation (MFN) treatment until December 31, 1992. The "Special" and column 2 rates of duty would remain unchanged.

Background and Justification

Iohexol is a water-soluable benzenoid derived chemical used exclusively as a radiographic contrast medium in the health industry. Products incorporating iohexol as the principal radioopaque ingredient are used as diagnostic aids.

The provision is intended to reduce the cost of obtaining iohexol for the sole importer, thereby reducing the cost of the ultimate product to the domestic consumers.

Iohexol is currently produced by Sterling Drug, Inc. Sterling is both the patent holder for this chemical and the sole importer of the product. Iohexol is marketed under the tradename "Omnipaque" by Sterling Drug. This product competes in the domestic market with at least one other radioopaque diagnostic aid sold by Mallinckrodt, Inc., located in St. Louis, Missouri. A representative of Mallinckrodt stated that this firm does not produce the principal ingredient for their end-product in the United States, but licenses a foreign chemical firm to manufacture this ingredient and then imports this product. Mallinckrodt has no objection to this legislation.

Separate statistics for imports of the subject chemical are not available because it is classified in a residual (basket) TSUS item. However, imports increases are estimated to have from a single shipment valued at approximately $2 million in 1986 to multiple shipments valued at about $20 million during 1987. There were little or no imports of this chemical prior to 1986. There were no column 2 imports of this product during 1986-1987. The value of these imports are estimated to increase to a value of approximately $38 million in 1990.

U.S. export data for the subject chemical are not available because it is classified in a residual (basket) Schedule B provision. Exports were estimated to have been around 5 percent of apparent domestic consumption during 1986-1987. All U.S. exports of iohexol were shipped to Canada.

Data for domestic consumption are not available, because their publication would disclose confidential business information.

Comparison with Present Law

Tariff treatment under the TSUS.--Iohexol is currently classified in item 405.34 and has a column 1 rate of duty of 13.5 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 58 percent ad valorem. The chemical is not presently eligible for duty-free entry under the Generalized System of Preferences (GSP); however, it is eligible for such treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the U.S.-Israel Free Trade Area Implementation Act of 1985 as shown in the special rates of duty column.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--Iohexol is provided for in HTS subheading 2924.29.40. The column 1 rate of duty upon implementation of the HTS is proposed to be 13.5 percent ad valorem.

Effect on Revenue

The following are the expected approximate customs revenue losses during 1988-1992: 1988 - $3,500,000 (based on January 1, 1988, enactment); 1989 - $4,000,000; 1990 - $5,100,00; 1991 - $5,100,000; 1992 - $5,100,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on November 19, 1987.

The ITC submitted an informative report on March 31, 1988.

The Department of Commerce submitted an adverse report on June 2, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#14) dated December 18, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
H.R. 3513

Supports:

Private Sector

Mallinckrodt, Inc., St. Louis, Missouri

SECTION 108. 3-ETHYL-8-HYDROXYQUINOLINE
(Originally introduced as H.R. 4295
by Mr. Clinger)

Summary of Provision

Section 108 would provide a temporary column 1 duty suspension for 3-ethyl-8-hydroxyquinoline (TSUS item 406.42, HTS item 2933.40.45) until December 31, 1992.

Section-by-Section Analysis

Section 108 would temporarily suspend the column 1 rate of duty on imports of 3-ethyl-8-hydroxyquinoline (CAS No. 111470-98-5), which is provided for in item 406.42 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of the Appendix to the TSUS to add item 906.44, which would provide duty-free entry for articles from countries entitled to MFN treatment until December 31, 1992. The special and column 2 rates of duty would remain unchanged.

Background and Justification

The purpose of the legislation is to temporarily suspend the duty and thus reduce the cost, for the sole importer and consumer, of obtaining the subject chemical, which is not produced in the United States.

The chemical, 3-ethyl-8-hydroxyquinoline, is a benzenoid chemical produced from 8-hydroxyquinoline. At present, there is no domestic commercial application for the subject chemical; however, Ruetgers-Nease Chemical Company of State College, PA, plans to use this chemical to manufacture another key intermediate chemical under contract for one of their customers.

There was no domestic production of 3-ethyl-8-hydroxyquinoline reported to the ITC during 1983-87. There is presently no domestic commercial use for the subject chemical. Ruetgers-Nease has recently submitted a custom synthesis contract to produce a special pesticide intermediate for one of their customers using the subject chemical as a feedstock.

Separate statistics for imports of the subject chemical are not available because it is classified in a residual (basket) TSUS item. However, the chemical has no domestic commercial use and, therefore, there have been no significant imports of this chemical during 1983-1987. If the Ruetgers-Nease company successfully negotiates a proposed custom synthesis contract, imports are expected to be about 400,00 pounds annually during 1988-92. The only country supplying these imports will be France.

U.S. export data for the subject chemical are not available as this chemical is classified in a residual (basket) Schedule B provision. There have been no exports during 1983-87.

Data for domestic consumption are not available. The subject chemical is not presently used in any commercial applications.

Comparison with Present Law

Tariff treatment under the TSUS.--3-ethyl-8-hydroxyquinoline is currently classified in item 406.42 and has a column 1 rate of duty of 13.5 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 52 percent ad valorem. The chemical is not presently eligible for duty-free entry under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Israel Free Trade Area Implementation Act of 1985, as shown in the "special" rates of duty column.

Tariff treatment under the proposed Harmonized System (HTS).--The HTS commodity code number for this chemical is 2933.40.45. The column 1 rate of duty upon implementation of the HTS will be 13.5 percent ad valorem.

Effects on Revenue

The following are the estimated customs revenue losses during 1988-90; $189,000 in 1988 (based on a June 1, 1988 enactment date), $378,000 in 1989, $378,000 in 1990, $378,000 in 1991 and $378,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 7, 1988.

The ITC submitted an informative report on June 13, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988. No comments were received.

SECTION 109. CEFACLOR MONOHYDRATE INTERMEDIATE
(Originally introduced as H.R. 1767
by Mr. Jacobs)

Summary of Provision

Section 109 would provide a temporary column 1 duty suspension for (6R,7R)-amino-3-chloro-8-oxa-5-thia-1-asabicyclo[4.2.0]-oct-2-ene-2-carboxylic acid, (4-nitrophenyl) methyl ester (TSUS 406.42, HTS 2934.90.40) until December 31, 1992.

Section-by-Section Analysis

Section 109 would temporarily suspend the column 1 rate of duty for (6R,7R)-amino-3-chloro-8-oxa-5-thia-1-asabicyclo[4.2.0]-oct-2-ene-2-carboxylic acid, (4-nitrophenyl) methyl ester classified in item 406.42 of the Tariff Schedules of the United States (TSUS). The provision would amend subpart B of part 1 of the Appendix to the TSUS to add item 906.49, with free entry for articles from countries entitled to MFN treatment until December 31, 1992.

Background and Justification

The chemical is a synthetic organic chemical that is manufactured from penicillin V. It is then used as an intermediate chemical in the manufacture of an antibiotic, cefaclor monohydrate. This antibiotic is sold domestically and exported.

The purpose of this legislation is to reduce the cost of this drug to U.S. consumers, and enhance the competitiveness of U.S. exports.

I.T.C. records provide no indication of domestic production of this chemical during 1982-86. The chemical is used in the production of cefaclor monohydrate, a broad spectrum antibiotic, which is currently under patent protection by Eli Lilly. As such, Eli Lilly is the only producer of the antibiotic. Cefaclor monohydrate is competitive with many of the other cephalosporins and antibiotics that are produced by Eli Lilly and other companies. Many of the antibiotics can be prescribed interchangeably, depending on the condition being treated and the patient's sensitivity to a particular product. There is no substitute for the intermediate chemical in the production of cefaclor monohydrate, nor is there any alternate major use for the chemical.

As the chemical is classified in a residual (basket) TSUS item, the quantity or value of imports are not available. The average amount of imports during 1982-86 was estimated to be less than 400,000 pounds per year. These imports were from the United Kingdom.

U.S. export data for this chemical are not available as this chemical is classified in a residual (basket) Schedule B number. There are no U.S. exports of this chemical. Only the finished product, the antibiotic, is exported.

Data for domestic consumption are not available since the domestic production of the intermediate chemical from penicillin V is developed internally, but not isolated as a product, to make the antibiotic. The imported intermediate chemical is also used to make the antibiotic but drawback is claimed from all of the intermediate chemical implying all of the imported product is consumed to produce exported antibiotic. Therefore consumption of this intermediate chemical is at least equal to U.S. imports.

Comparison with Present Law

Tariff treatment under the TSUS.--This chemical is presently classified in item 406.42. The duty rate for column 1 countries is 13.5 percent ad valorem. The column 2 duty rate is 7 cents per pound plus 52 percent ad valorem. The product is not eligible for duty-free treatment under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Israel Free Trade Area Implementation Act of 1985 as indicated in "Special" column.

Tariff treatment under the proposed Harmonized System (HTS).--The HTS commodity code number for this chemical is 2934.90.40, (other heterocyclic compounds: Other: Aromatic or modified aromatic: Other: Other: Products described in additional U.S. note 3 to section VI.) The column 1 rate of duty upon implementation of the HTS will be 13.5 percent ad valorem.

Effects on Revenue

Average annual revenue losses during 1988-92 are expected to be valued at approximately $8 million. A large share of these revenues would be refunded to the company anyway because of the drawback provision currently in effect for this chemical. As such, the actual revenue losses incurred during 1988-92 would be considerably lower.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 15, 1987.

The ITC submitted an informative report on June 29, 1987.

The Department of Commerce submitted a no objection report on June 19, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 110. MDBS AND HPBA
(Originally introduced as H.R. 3773
by Mrs. Patterson)

Summary of Provision

Section 110 would suspend the column 1 rate of duty on MDBS and HPBA, plastic intermediates (TSUS items 406.42 and 407.05, HTS items 2932.90.41 and 2906.19.00, respectively), until December 31, 1992.

Section-by-Section Analysis

Section 110 would temporarily suspend the column 1 rate of duty for imports of dimethylbenzylidene sorbitol (CAS 54686-97-4 and/or 58956-31-3) and 4,4'-isopropylidenedicyclohexanol (CAS 80-04-6), which are provided for in items 406.42 and 407.05, respectively, of the Tariff Schedules of the United States (TSUS) and items 2932.90.41 and 2906.19.00, respectively, of the Harmonized Tariff System. The provision would amend part 1B of the Appendix to the TSUS to add new items 906.70 and 906.80, which would provide duty-free entry for articles from countries entitled to most-favored-nation treatment (MFN) until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

Dimethylbenzylidene sorbitol is a benzenoid intermediate chemical used as a clarifying agent in the production of polypropylene plastics resins. These clarified resins are then used to manufacture certain medical devices. The other chemical, 4,4'-isopropylidene-dicyclohexanol, is used as a chemical intermediate in the production of polyester and epoxy compounds which have special weather resistant and wear properties that make them useful for outdoor protective coatings and structures.

The was no production of dimethylbenzylidene sorbitol or of 4,4'-isopropylidenedicyclohexanol reported to the I.T.C. during 1983-87.

Separate statistics for imports of the subject chemicals are not available as these products are not classified individually under the TSUS. However, the combined imports of these chemicals are estimated to have increased from around $170,000 in 1983 to about $400,000 in 1987. Japan was the sole source of these imports during 1983-87. Imports of these chemicals are expected to increase from around $750,000 in 1988, to approximately $1.3 million in 1990.

U.S. export data for the subject chemicals are not available as these chemicals are classified in a residual (basket) Schedule B provision. However, exports of these products were negligible or non-existent during 1983-87.

Data for domestic consumption of the subject chemicals are not available; however, domestic consumption was essentially the same as imports during 1983-87.

Comparison with Present Law

Tariff treatment under the TSUS: Dimethylbenzylidene sorbitol is currently classified in item 406.42 which has a column 1 rate of duty of 13.5 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 52 percent ad valorem. The chemical is not presently eligible for duty-free treatment under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Isreal Free Trade Area Implementation Act of 1985 as shown in the "Special" rates of duty column.

The chemical, 4,4'-isopropylidenedicyclohexanol, is currently classified in item 407.05, which has a column 1 rate of duty of 1.7 cents per pound plus 53.5 percent ad valorem. This chemical is not presently eligible for duty-free treatment under GSP, but is eligible for duty-free treatment under the GSP, but is eligible for duty-free treatment under the CBERA and under the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS): The HTS subheading for dimethylbenzylidene sorbitol is 2932.90.41. The column 1 rate of duty upon implementation of the HTS will be 13.5 percent ad valorem. The second chemical covered by this bill, 4,4'-isopropylidenedicyclohexanol, is classified in HTS subheading 2906.19.00. The column 1 rate of duty will be 7.1 percent ad valorem upon implementation of the HTS and the column 2 rate of duty will be 45 percent ad valorem. In addition to duty-free treatment under the CBERA and the United States-Israel Free Trade Area Implementation Act of 1985, imports of this chemical will be eligible for duty-free treatment under the GSP upon implementation of the HTS.

Effect on Revenue

Based on the total estimated value of future imports of the subject chemicals the expected annual customs revenue losses are $70,000 in 1988 (based on January 1, 1988, enactment), $114,000 in 1989, $136,000 in 1990, $136,000 in 1991, and $136,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on January 11, 1988.

The ITC submitted an informative report on March 4, 1988.

The Department of Commerce submitted an adverse, if not amended as suggested, report on June 28, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 27, 1988.

WRITTEN COMMENTS RECEIVED
ON H.R. 3773

Supports:

Private Sector

Milliken & Company

SECTION 111. HERBICIDE INTERMEDIATE
(Originally introduced as H.R. 3789
by Mr. Rose)

Summary of Provision

Section 111 would provide a temporary column 1 duty suspension for N-(2,6-dichloro-3-methylphenyl)-5-amino-1,3,4-triazole-2-sulfonamide (TSUS item 408.23 or 406.58, HTS item 2935.00.47) until December 31, 1992.

Section-by-Section Analysis

Section 111 would temporarily suspend the column 1 rate of duty for N-(2,6-dichloro-3-methylphenyl)-5-amino-1,3,4-triazole-2-sulfonamide provided for in item 408.23 or 406.58 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of part 1 of the Appendix to the TSUS to add item 907.11 with free entry for articles from countries entitled to MFN treatment until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

This product is an intermediate used to produce a new herbicide which is currently being produced in a pilot-plant operation. The imposition of a customs duty would increase the cost of bringing a new product to to market. A U.S. company plans to manufacture both the intermediate and the final products on a larger scale in the United States. A significant portion of U.S. production would be for export.

The imported product is used only as an intermediate in the production of an herbicide still in the development and testing states. The final product will be used as either a pre- or postemergent herbicide on wheat and other small grains. A major benefit of the final product is its low animal toxicity.

The imported product is not produced commercially in the United States. It has only been produced on a laboratory scale to make potential herbicide. There are approximately 25 companies producing some 80 different commercial herbicides in the United States. Since the final product is still in the testing and development stage it won't be commercially available for another three to five years. Furthermore, the use profile for the final product is not sufficiently well defined to identify specific competitive products.

There has been no commercial production of the product in the United States during the last five years.

There have been no commercial imports of this product for the last five years.

There have been no commercial exports of this product for the past five years.

There has been no apparent U.S. consumption in the last five years.

Comparison with Present Law

Tariff treatment under the TSUS.--The legislation states that this intermediate is classified in the basket TSUS item 408.23 (Herbicides, including plant growth regulators; other; other) which item has a column 1 rate of duty of 13.5 percent ad valorem and a column 2 rate of duty of 7 cents per pound plus 48.5 percent ad valorem. Imports under item 408.23 are eligible for duty-free entry under the Generalized System of Preferences (GSP). This item is also eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act and the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The HTS commodity code number for N-(2,6-dichloro-3-methylphenyl)-5-amino-1,3,4-triazole-2-sulfonamide is 2935.00.47 (Sulfonamides; Other; Other; Products described in additional U.S. Note 3 to section VI). The proposed column 1 duty upon implementation of the HTS will be 13.5 percent ad valorem.

Effects on Revenue

The estimated revenue loss during 1988-92 would be approximately $90,000 per year.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on January 11, 1988.

The ITC submitted an informative report on May 23, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 3789

Supports:

Private Sector

The Dow Chemical Company

SECTION 112. IOXAGLATE
(Originally introduced as H.R. 4294)
by Mr. Buechner)

Summary of Provision

Section 112 would temporarily suspend the column 1 rate of duty on Ioxaglate, an iodinated contrast medium used to enhance x-rays of the circulatory system, (TSUS item 405.34, HTS item 2924.29.40) until December 31, 1992.

Section-by-Section Analysis

Section 112 would suspend, until December 31, 1992, the column 1 rate of duty on imports of N-(2-hydroxy-ethyl)-2,4,6-triiodo-5-[2(2,4,6-triiodo-3-(N-methyl-acetamido)-5-(methylcarbamoyl) benzamido acetamido]-isophthalamic acid (CAS No. 59017-64-0), commonly referred to as Ioxaglate, which is provided for in item 405.34 of the Tariff Schedules of the United States (TSUS). The provision would amend part 1B of the Appendix to the TSUS to insert a new item, in numerical sequence, to provide duty-free entry to articles from countries entitled to most-favored-nation treatment (MFN) until December 31, 1992. The special and column 2 rates of duty would remain unchanged.

Background and Justification

This legislation has the intent of reducing the cost of this product to U.S. consumers.

Ioxaglate is the active ingredient in a commercial formulation known as Hexabrix, which is an "iodinated contrast Medium" used to enhance x-rays of the circulatory system. Hexabrix and other competing products are considered diagnostic aids in the context of the health industry.

Ioxaglate is currently imported by Mallinckrodt, Inc., of St. Louis, Missouri. Mallinckrodt is the sole importer and user of the chemical described in the bill. There is no domestic production. Ioxaglate is the active ingredient in a product compounded domestically and marketed under the trade name "Hexabrix" solely by Mallinckrodt. This product competes in the domestic market with at least one other similar diagnostic aid (known as "Omnipaque") marketed by Sterling Drug, Inc. However, although Sterling Drug markets its product domestically, the manufacture of their material is licensed to a foreign source and the completed product is imported. Sterling Drug does not object to this legislation.

Separate statistics for imports of the subject chemical are not available because it is classified in a residual (basket) TSUS item. U.S. imports are estimated to (from France, the only supplying country) have increased from a value of $93,600 in 1985 to nearly $1.2 million in 1987. There were no known imports of the subject chemical prior to 1985. There were no column 2 imports of this chemical during 1985-87. The value of U.S. imports of the subject chemical are estimated to increase to more than $3.1 million by 1992.

There are no U.S. exports of the subject chemical as it is produced under a proprietary license solely for the domestic use of Mallinckrodt in the production of Hexabrix.

Data for domestic consumption are not available because their publication would disclose confidential business information.

Comparison with Present Law

Tariff treatment under the TSUS.--Ioxaglate is currently classified in TSUS item 405.34 and has a column 1 rate of duty of 13.5 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 58 percent ad valorem. The chemical is presently not eligible for duty-free entry under the Generalized System of Preferences (GSP); however, it is eligible for such treatment under the Caribbean Basin Economic Recovery Act (CBERA) and the United States-Israel Free Trade Area Implementation Act of 1985, as shown in the special rates of duty column.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--Ioxaglate is provided for in HTS subheading 2924.29.40. The column 1 rate of duty upon implementation of the HTS is proposed to be 13.5 percent ad valorem.

Effects on Revenue

The following are the estimated annual revenue losses during 1988-90; $250,000 in 1988 (based on January 1, 1988 enactment), $302,000 in 1989, $357,000 in 1990, $357,000 in 1991, and $357,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 7, 1988.

The ITC submitted an informative report on June 24, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 27, 1988. No comments were received.

SECTION 113. MIXED ORTHO/PARA TOLUENE SULFONOMIDE
(Originally introduced as H.R. 4266
by Mr. Stokes)

Summary of Provision

Section 113 would provide a temporary column 1 duty suspension for mixed ortho/para toluene sulfonomide (TSUS item 409.34, HTS item 2917.19.50) until December 31, 1992.

Section-by-Section Analysis

Section 113 would suspend the column 1 rate of duty for mixed ortho/para toluene sulfonomide which is classified in item 409.34 of the Tariff Schedules of the United States (TSUS). This provision would amend subpart B of part 1 of the Appendix to the TSUS to add a new tariff item 907.80. The column 2 rate of duty would remain unchanged.

Background and Justification

There is no domestic source for this material, nor any likelihood of a domestic source developing in the foreseeable future. Any import duties add to the cost of overall production of downstream chemical products.

Mixed ortho/para toluene sulfonomide, also known as Santicizer 9, or Abracol 789, is a white granular solid, soluble in most organic solvents. The mixture is used as a plasticizer in the production of high-pressure laminates and other plastics materials, and in manufacturing fluorescent pigments. There are no viable substitutes for this material in these products.

Currently, there is no domestic production of this material. Monsanto Corporation, the sole U.S. manufacturer of this chemical, ceased production in 1985 and indicates no interest in resuming production.

There have been no shipments of domestically produced material since early 1986.

Imports of this material enter the United States under a basket category and no separate statistics are available. Exports are probably negligible.

Apparent U.S. consumption of mixed ortho/para toluene sulfonomide was essentially the same as imports in 1987.

Comparison with Present Law

Tariff treatment under the TSUS.--Mixed ortho/para toluene sulfonomide is classified in TSUS item 409.34 which has a column 1 rate of duty of 0.1 cent per pound plus 17.7 percent ad valorem and a column 2 rate of duty of 7 cents per pound plus 57 percent ad valorem. Imports entering the United States under TSUS item 409.34 are eligible for duty-free treatment under the Generalized System of Preferences, the Caribbean Basin Economic Recovery Act, and the U.S.-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--Mixed ortho/para toluene sulfonomide is provided for in HTS subheading 2917.19.50. The column 1 rate of duty upon implementation of the HTS is proposed to be 4 percent ad valorem.

Effects on Revenue

If import levels of mixed ortho/para toluene sulfonomide grows at the rate of about 5 percent per year, the total potential annual loss of revenue for these chemicals would amount to less than $500,000 per year during 1989-92.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 7, 1988.

The ITC submitted an informative report on June 24, 1988.

The Department of Commerce submitted a no objection, if amended as suggested, report on July 6, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 28, 1988.

WRITTEN COMMENTS RECEIVED
ON H.R. 4266

Supports:

Private Sector

Day-Glo Color Corporation

SECTION 114. CALCIUM CARBASPIRIN
(Originally introduced as H.R. 3527
by Mr. Smith, Fla.)

Summary of Provision

Section 114 would provide a temporary column 1 duty suspension for calcium carbaspirin (TSUS item 412.22, HTS item 2924.21.20.00) until December 31, 1992.

Section-by-Section Analysis

Section 114 would temporarily suspend the column 1 rate of duty for calcium carbaspirin, provided for in item 412.22 of the Tariff Schedules of the United States (TSUS). The legislation would amend part 1B of the Appendix to the TSUS to add item 907.44 with free entry for articles from countries entitled to MFN treatment December 31, 1992. The "Special" and column 2 rates of duty would remain unchanged.

Background and Justification

The lack of domestic production of calcium carbaspirin makes importation of the product a necessity if a U.S. firm is to formulate a particular pharmaceutical product in the United States. The duty imposed on these imports is considered to be an unnecessary burden on the firm. Only one European company is licensed to supply the Food and Drug Administration (FDA) approved product and a U.S. firm would be the only U.S. licensed supplier for commercial amounts of this formulation.

Calcium carbaspirin, sometimes referred to as soluble aspirin, is a derivative of aspirin. It is an analgesic, antipyretic, and antirheumatic agent. Although not currently marketed in significant commercial amounts domestically, calcium carbaspirin is considered to be a potentially competitive product to aspirin, particularly since it is said to cause less gastric disturbance than aspirin. Because of its enhanced solubility, as compared with aspirin, calcium carbaspirin is generally ingested after being dissolved in water, rather than as a tablet. The product is approved by the FDA and is not under patent protection. Calcium carbaspirin can be marketed either as the active ingredient of an analgesic or, as in the past, as a component in formulations that contain analgesics.

Although ITC records indicate that there was no domestic production of this chemical during 1982-87, one domestic company produced the FDA approved chemical sporadically for research purposes during those years in extremely small quantities. The company still has capacity to manufacture the chemical and could, if necessary, scale up the operations.

Future production, however, is not ruled out, since anyone could market the chemical domestically in a formulation as long as they have FDA approval for that specific formulation. For example, the product had been marketed previously as a component in an antihistamine formulation that was marketed through July 1985 by a domestic firm. The firm did not produce the calcium carbaspirin but imported it from Switzerland.

The four domestic manufacturers of aspirin have mixed opinions as to the effect of this legislation on their operations. It is generally agreed, however, that, when marketed, this chemical could be competitive with aspirin. Apparent U.S. consumer preference for aspirin in a tablet or capsule form was cited as one reason this product has not been previously marketed in the United States.

Separate statistics for imports of the subject chemical are not available as it is classified under a residual (basket) TSUS

item. However, the average annual value of imports during 1983-84 was estimated at less than $75,000. Switzerland was the primary source of these imports. There were little or no imports of this chemical in 1982, 1985 or 1986.

U.S. export data for the subject chemical are not available as this chemical is classified in a residual (basket Schedule B provision. According to industry sources, there were no exports of this chemical during 1982-1987.

Data for domestic consumption are not available. However, because of the lack of domestic production, U.S. apparent consumption during 1982-1987 was equal to U.S. imports of the product.

Comparison with Present Law

Tariff treatment under the TSUS.--Calcium carbaspirin is currently classified under item 412.22 (Benzenoid drugs primarily affecting the central nervous system, except alkaloids and their derivatives: Analgesics, antipyretics, and nonhormonal anti-inflammatory agents; Other) with a column 1 rate of duty of 6.8 percent ad valorem and a column 2 rate of duty of 7 cents per pound plus 47.5 percent ad valorem. The chemical is presently eligible for duty-free treatment under the Generalized System of Preferences (GSP), except for the Bahamas. It is also eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and the United States-Israel Free Trade Area Implementation Act of 1985, as shown in the "Special" rates of duty column.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The HTS commodity code number for calcium carbaspirin can vary, depending on the form in which the product is imported. If the product is imported in bulk form, the appropriate HTS commodity code number would be 2924.21.20.00 (Other aromatic ureines as described in additional U.S. note 3 to section VI) with a proposed column 1 rate of duty of 13.5 percent ad valorem to be effective upon implementation of the HTS. Imports of the product in dosage form would enter under HTS commodity code number 3004.90.60.25 (Dosage forms of medicaments primarily affecting the central nervous system: Analgesics, antipyretics and nonhormonal anti-inflammatory agents) with a proposed column 1 rate of duty of 6.3 percent ad valorem.

Effects on Revenue

The following are the expected annual revenue losses during 1988-90: $27,000 in 1988, $81,000 in 1989, and $135,000 in 1990.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on November 19, 1987.

The ITC submitted an informative report on May 23, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#14) dated December 18, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 3527

Opposes:

Private sector

The Dow Chemical, U.S.A.

SECTION 115. SULFACHLOROPYRIDAZINE (Technical)
(Originally introduced as H.R. 4316
by Mr. Nagle)

Summary of Provision

Section 115 would provide a temporary column 1 duty suspension for sulfachloropyridazine technical (TSUS item 411.87, HTS item 2935.00.39) until December 31, 1992.

Section-by-Section Analysis

Section 115 would temporarily suspend the column 1 rate of duty for sulfachloropyridazine (technical), provided for in item 411.87 of the Tariff Schedules of the United States (TSUS). This provision would amend subpart B of part 1 of the Appendix to the TSUS to add item 907.43, providing duty-free entry for articles from countries entitled to most-favored-nation (MFN) treatment. The "Special" and column 2 rates of duty would remain unchanged.

Background and Justification

The suspension of duty would act as an inducement to a U.S. firm to start converting sulfachloropyridazine (technical) to the medicinal grade, sulfachloropyridazine (USP), domestically, resulting in the creation of more job opportunities. The technical grade is currently converted overseas to the USP-grade material, which is then imported.

Sulfachloropyridazine (technical) is a pale yellow, crystalline powder. Although the primary use for sulfachloropyridazine (technical) is to produce sulfachloropyridazine (USP), the former can also be used to produce other sulfa drugs.

Sulfachloropyridazine (USP) can be used in the treatment of acute recurrent or chronic urinary tract infections in both humans and animals. Its use in human health care, however, has declined in the past ten years, primarily because of the increased use of certain antibiotics. Therefore, the primary use of sulfachloropyridazine (USP) is currently in the treatment of diarrhea in young pigs and/or calves.

A U.S. firm holds the only Food and Drug Administration (FDA) New Animal Drug Approval (NADA) for their particular veterinary formulation of sulfachloropyridazine (USP). Although this does not preclude the simultaneous use of sulfachloropyridazine (USP) under other NADA's granted to other companies, it could mean that, in the absence of other NADA's, this firm would be the only company that would be approved to manufacture or import USP-approved product for this particular veterinary application. Although there was no specific substitute for the technical-grade material in the production of USP-approved product, antibiotics in general could be considered to be competing products to sulfachloropyridazine (USP).

ITC records indicate that Sulfachloropyridazine (technical) was last produced domestically in 1983 by American Cyanamid. Production data for that year cannot be published because to do so would reveal confidential business information.

Separate statistics for imports of sulfachloropyridazine (technical) are not available, as it is classified under a residual (basket) TSUS item. The average annual value of imports of sulfachloropyridazine (USP) during 1986-87 was estimated to have been less than $500,000. Italy was the

primary source of these imports. According to industry sources, there were imports of sulfachloropyridazine (USP) prior to 1986, but specific data are not available.

U.S. export data for sulfachloropyridazine (technical) are not available, as this chemical is classified in a residual (basket) Schedule B provision. However, there were no exports of this chemical during 1983-87.

Data for domestic consumption are not available. However, because of the lack of domestic production, U.S. apparent consumption during 1983-87 was equal to U.S. imports of the product.

Comparison with Present Law

Tariff treatment under the TSUS.--Sulfachloropyridazine (technical) is currently classified under item 411.87 (table 1) with a column 1 rate of duty of 10.8 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 96 percent ad valorem. The chemical is presently not eligible for duty-free treatment under the Generalized System of Preferences (GSP). It is, however, eligible for duty-free treatment under the Caribbean Basin Economic Recover Act (CBERA). Imports of this product from Israel are subject to a staged rate of duty, currently 4.3 percent ad valorem, under the U.S.-Israel Free Trade Area Implementation Act of 1985 as shown in the "Special" rates of duty column.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The HTS commodity code number for sulfachloropyridazine (technical) would be 2935.00.,39 with a proposed column 1 rate of duty of 10.8 percent ad valorem to be effective upon implementation of the HTS.

Effects on Revenue

The estimated annual revenue losses during 1989-92 will be $38,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 12, 1988.

The ITC submitted an informative report on July 18, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988. No comments were received.

SECTION 116. CARFENTANIL CITRATE
(Originally introduced as H.R. 2947
by Mr. Brown)

Summary of Provision

Section 116 would provide a temporary column 1 duty suspension for carfentanil citrate, [TSUS item 412.36; HTS item 2933.30.30 (bulk form), 3004.90.60.03 (dosage form)] until December 31, 1992.

Section-by-Section Analysis

Section 116 would temporarily suspend the column 1 rate of duty for carfentanil citrate, provided for in item 412.36 of the Tariff Schedules of the United States (TSUS). The provision would amend part 1B of the Appendix to the TSUS to add item 907.40, providing duty-free entry for articles from countries entitled to MFN treatment until December 31, 1992. The "Special" and column 2 rates of duty would remain unchanged.

Background and Justification

The primary purpose of the duty suspension is to reduce the cost to end-users, primarily publicly-supported operations. Approximately 95 percent of the domestic consumers of carfentanil citrate are publiclysupported entities, such as Federal and State wildlife agencies and municipal parks and zoos. Because of the lack of domestic production of carfentanil citrate, these consumers must import the product from the only worldwide source, located in Belgium. These entities believe that continuation of the present rate of duty will impose an additional cost upon public resources.

Carfentanil citrate is a potent narcotic analgesic currently used solely for veterinary research purposes. The product, which is considered to be too potent for human use, is said to be pending approval by the Food and Drug Administration (FDA) as an immobilizing agent for use only on wild animals. Future use is expected to be limited in that it will generally be used in ongoing research projects involving wild animals.

ITC records indicate that there was no domestic production of this chemical during 1982-87. The product is relatively new and has not yet received FDA approval for commercial distribution in the United States. A domestic firm holds the U.S. patent for this product. A representative of a firm which is interested in this duty suspension stated that his firm is the U.S. licensee.

There are competitive products available domestically. Carfentanil citrate, however, is one of the newest and is considered to have the most advantages, particularly in the immobilization of large species such as elephants and elk.

Separate statistics for imports of the subject chemical are not available as it is classified under a residual (basket) TSUS item. However, small amounts have entered the United States during 1983-87 from Belgium for research purposes. These imports were said to amount to less than half an ounce.

U.S. export data for carfentanil citrate are not available as this chemical is classified in a residual (basket) Schedule B provision. There were no exports of this chemical during 1982-87.

Data for domestic consumption are not available. In view of the lack of domestic production, however, domestic consumption during 1983-87 was equal to U.S. imports of the product.

Comparison with Present Law

Tariff treatment under the TSUS.--Carfentanil citrate is classified in item 412.36. The duty rate for column 1 countries is 16.6 percent ad valorem. The column 2 duty rate is 7 cents per pound plus 149.5 percent ad valorem. Currently, the chemical is not eligible for duty-free treatment under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Israel Free Trade Area Implementation Act of 1985 as indicated in the "Special" rates of duty column.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The HTS commodity code number for this chemical can vary, depending on the form in which it is imported. If the product is imported in bulk form, the appropriate HTS commodity code number would be 2933.39.30 with a proposed column 1 rate of duty of 16.6 percent ad valorem to be effective upon implementation of the HTS. Imports of the product in dosage form would enter under HTS commodity code number 3004.90.60.03 with a proposed column 1 rate of duty of 6.3 percent ad valorem.

Effects on Revenue

The following are the expected annual revenue losses during 1989-92; $8,300 in 1989, $8,300 in 1990, $8,300 in 1991, and $8,300 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on August 31, 1987.

The ITC submitted an informative report on May 26, 1988.

The Department of Commerce submitted a no objection report on June 2, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#12) dated October 23, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2947

Supports:

Private Sector

Elliott Jacobson, DVM, PhD., Department of Special Clinical Sciences, The University of Florida: "Continued imposition of the current 16.6 percent duty level on this specialized compound will only increase the cost to state and local agencies as well as research institutions. I urge to take favorable action on H.R. 2947 to suspend this excessive duty on this unique and needed drug."

M. S. Silberman, DVM, The Robert W. Woodruff Health Sciences Center of Emory University: "In an effort to insure that this unique and highly useful pharmaceutical will continue to be available to the zoo veterinarians throughout the country, I urge favorable action to suspend the current 16.6 percent duty on carfentanil citrate."

SECTION 117. TAMOXIFEN CITRATE
(Originally introduced H.R. 1648
by Mr. Guarini)

Summary of Provision

Section 117 would provide a temporary column 1 duty suspension for tamoxifen citrate (TSUS item 412.42, HTS item 2922.19.10) until December 31, 1992.

Section-by-Section Analysis

Section 117 would temporarily suspend the column 1 rate of duty for tamoxifen citrate classified in item 412.42 of the Tariff Schedules of the United States (TSUS). The provision would amend subpart B of the Appendix to the TSUS to add item 907.44, with free entry for articles from countries entitled to MFN treatment until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

Tamoxifen citrate is a nonsteroidal antiestrogen that occurs as a fine, white, crystalline powder. Its major use is in the palliative treatment of advanced breast carcinoma in post-menopausal women. It is said to be at least as effective as the other products in terms of scope of action and to have a lower incidence of severe adverse effects. Tamoxifen citrate may be prescribed on its own to be used in combination with surgery or used in conjunction with combination chemotherapy.

The purpose of this legislation is to reduce the cost of this imported drug to U.S. consumers.

According to ITC records, there has been no domestic production of tamoxifen citrate during 1982-86. The product has been under patent protection in the United States by ICI Americas, Inc., since August 1985. There are at least two other anti-estrogens that have been shown to be useful in the treatment of human breast cancer. Neither of these appear to be manufactured in the United States.

Tamoxifen citrate is currently classified in TSUS item 412.42, along with eight other products. As such, the quantity or value of imports are not readily available. The product was available from West Germany, but no imported into the United States, prior to August 1985. During 1982-86, ICI Americas imported the product from the United Kingdom. Estimated annual imports ranged from $10 million in 1982 to $20 million in 1986.

U.S. export data for tamoxifen citrate are not available as this chemical is classified in a residual (basket) Schedule B number. Exports of this product are negligible or nonexistent.

Data for domestic consumption are not available; however, because of the lack of domestic production, U.S. consumption of this product equals imports.

Comparison with Present Law

Tariff treatment under the TSUS.--Tamoxifen citrate is presently classified in item 412.42. The duty rate for column 1 countries is 6.9 percent ad valorem. The column 2 duty rate is 7 cents per pound plus 49 percent ad valorem. The drug is not eligible for duty-free treatment under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Israel Free Trade Area Implementation Act of 1985 as indicated in "Special" column.

Tariff treatment under the proposed Harmonized System (HTS).--The HTS commodity code number for this chemical is 2922.19.10, oxygen-function amino-compounds: aromatic amino-alcohols, their ethers and esters, other than those containing more than one kind of oxygen function; salts thereof: Drugs: Diphenhydramine and tamoxifen citrate. The column 1 rate of duty upon implementation of the HTS will be 6.6 percent ad valorem.

Effects on Revenue

The following are expected annual revenue losses during 1988-92; $1,250,000 in 1988 (based on January 1, 1988 enactment), $1,330,000 in 1989, $1,390,000 in 1990, $1,390,000 in 1991, and $1,390,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 15, 1987.

The ITC submitted an informative report on June 23, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 118. ACETOPHENONE
(Originally introduced as H.R. 3475
by Mr. Inhofe)

Summary of Provision

Section 118 would temporarily suspend the duty on acetophenone (TSUS item 413.90 and HTS item 2914.30.00) until December 31, 1992.

Section-by-Section Analysis

Section 118 would suspend the column 1 rate of duty of at least 99 percent pure acetophenone, currently classified in TSUS item 413.30. The legislation would amend subpart B of part 1 of the Appendix to the Tariff Schedule of the United States (TSUS) (19 U.S.C. 1202) by inserting new item 907.58, with free entry for articles from countries entitled to MFN treatment until December 31, 1992. The column 2 rate of duty is intended to remain unchanged.

Background and Justification

Acetophenone (also know as 1-phenylethoanone or phenyl methyl ketone) is a chemical which, in its pure form is considered to be an aromatic chemical for its characteristic orange blossom aroma. It is most often incorporated in low cost fragrances, commonly used in soaps and detergents or for industrial applications such as a catalyst for the polymerization of olefins and as a photosensitizer. It is also used in the 99 percent pure form as an ingredient in certain well drilling applications as a high temperature corrosion inhibition. Its chief use remains as an odeiforous chemical and not as a corrosion inhibitor (according to Customs Services).

The only known domestic commercial source for 99 percent pure acetophenone (Atlantic-Richfield) ceased the manufacture and supply of this product as of March 4, 1987.

Although there are currently at least seven domestic firms that market the subject product, the imported material accounts for all of their sales. Also their 99 percent pure accetophenone is marketed exclusively as an aroma chemical (in much smaller volumes and at a much higher price than the previously available domestic product).

Because imports of 99 percent pure acetophenone are included in residual or "basket" category, no separate import statistics are available. However, during 1982 and 1983, imports of 197,530 pounds and 195,308 pounds were reported in the U.S. ITC. publication, Imports of Benzenoid Chemicals and Products. Value of these imports were not reported.

U.S. export data on the subject chemical are not available; however exports of this chemical were negligible.

Data from domestic consumption of the subject chemical are not available, however, approximately 200,000 pounds are estimated to be consumed in aroma applications and at least, that volume (200,000 pounds) would be consumed for other industrial applications.

Comparison with Present Law

Tariff treatment under the TSUS.--The column 1 rate of duty applicable to imports of 99 percent pure acetophenone covered by TSUS 413.30 in 11.9 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 58 percent ad valorem. Imports of this chemical are currently eligible for duty free treatment under the

Generalized System of Preferences (GSP) and under the Caribbean Basin Economic Recovery Act (CBERA). Imports of this product from Israel are currently dutiable at a rate of 4.8 percent ad valorem, as indicated in the "Special" rates of duty column.

Tariff treatment under the Harmonized Tariff Schedule (HTS). The HTS subheading covering 99 percent pure acetophenone is 2914.30.00 (a provision including aromatic and odoriferous ketones without other oxygen functions, not provided for in the Chemical Appendix). The column 1 rate of duty proposed to be effective upon implementation of the HTS will be 11.9 percent.

Effect on Revenue

Based on an estimated import volume of 400,000 pounds at an estimated value of $0.60 to $0.80 per pound of product material, customs revenues would be reduced by an amount between $28,560 and $38,080 annually.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on October 20, 1987.

The ITC submitted an informative report on January 15, 1988.

The Department of Commerce submitted a no objection report on June 6, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#12) dated October 22, 1987. No written comments were received.

SECTION 119. L-ORNITHINE DIETHYL ESTER DIHYDROCHLORIDE
(Originally introduced as H.R. 2314
by Mr. Gradison)

Summary of Provision

Section 119, as amended, would provide a column 1 duty suspension for L-ornithine diethyl ester dihydrochloride (TSUS item 425.06, HTS item 2922.49.50) until December 31, 1992.

Section-by-Section Analysis

Section 119 would add a new item 907.81 to the Appendix to the Tariff Schedules of the United States (TSUS) to suspend the column 1 rate of duty for L-ornithine diethyl ester dihydrochloride until December 31, 1992. The column 2 rate of duty would not be changed.

Background and Justification

Ornithine, more appropriately called 2,5-diaminopentanoic acid, is a nonessential amino acid used typically as a therapeutic nutrient and anticholesteremic. Chemically, ornithine has two optical configurations, dextro- (D) and levo- (L). The naturally occurring isomer is L-ornithine, which can be made through semi-synthetic processes. DL-ornithine, essentially the mixture of both isomers, can be also made synthetically, although contamination of the mixture by the D-isomer tends to make the mixture unusable by living organisms. Separation of the DL-ornithine mixture into the two optically active isomers is both difficult and expensive; as a result, nearly all L-ornithine is prepared synthetically using naturally occurring (that is, pure L-isomer) starting materials.

L-ornithine has been discovered to provide a cure for Gambian Trypanosomiasis, also called African Sleeping Sickness. Ornithine is also used as a precursor to an as yet unapproved drug to treat pneumocystis carinii, a type of pneumonia afflicting patients with Acquired Immune Deficiency Syndrome (AIDS).

A derivative of ornithine, L-ornithine diethyl ester dihydrochloride, will be imported as a precursor to a drug to treat pneumonia afflicting AIDS patients and will be used directly to cure African Sleeping Sickness. As there is not domestic production of L-ornithine or its derivatives, any import duties would simply increase the cost of raw materials in the production of these two drugs.

L-ornithine is not produced in the United States. Eli Lilly & Co., Indianapolis, IN, possesses a patent to produce the DL-ornithine mixture, although the mixture is not considered usable as a raw material or substitute for the product imported by Marrell-Dow and cannot be made usable unless the two isomers are painstakingly separated.

There is currently no domestic production of L-ornithine or of any of its immediate derivatives. No other firms have or plan to have facilities in the United States.

L-ornithine diethyl ester dihydrochloride is one of many items imported under TSUS item 425.06, and U.S. import data are not available. However, U.S. imports of this material are estimated to have been nil until an initial import of 72,000

pounds, valued at $1.4 million, was made in 1985. It is estimated that imports of this ornithine derivative have remained at this level to the present.

As there is no domestic production of the sole L-ornithine isomer or any of its derivatives, U.S. exports of this chemical are estimated to have been nil during the period 1982-86. Apparent U.S. consumption is estimated to be approximately equal to the level of imports during this period 1982-86.

Comparison with Present Law

Tariff treatment under the TSUS.--L-ornithine diethyl ester dihydrochloride is classified in TSUS item 425.06, covering amino acid salts. The column 1 duty rate is 3.7 percent ad valorem. The column 2 duty rate is 25 percent ad valorem. The column 1 rate of duty for this item was reduced from 5 percent ad valorem in a series of staged reductions to its present and final rate, as a result of the Tokyo Round of Multilateral Trade Negotiations.

L-ornithine diethyl ester dihydrochloride is eligible for duty-free entry under the Generalized System of Preferences (GSP). It is also eligible for duty-free entry when imported from designated Caribbean Basin Economic Recovery Act (CBERA) beneficiaries. The duty rate applicable to products of Israel is "free" under the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--Upon implementation of the HTS, L-ornithine diethyl ester dihydrochloride is to be classified in HTS heading 2922.49.50, including other amino acid esters and derivatives. The column 1 rate of duty proposed to be effective upon implementation of the HTS is 3.7 percent ad valorem.

Effects on Revenue

Annual revenue losses of approximately are estimated at $18,000 each year during 1988 to 1992 reflecting probably import reductions from current assumed levels.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on August 27, 1987.

The Department of Commerce submitted a no objection, if amended as suggested, report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 120. CERTAIN NITROGENOUS COMPOUNDS
(Originally introduced as H.R. 2755
by Mr. Mollohan)

Summary of Provision

Section 120 would temporarily suspend the column 1 rate of duty on analogues of methacrylomido glycolate methyl ether (TSUS item 425.22, HTS item 2924.1010) until December 31, 1992.

Section-by-Section Analysis

Section 120 would add new item 907.59 to the Appendix to the Tariff Schedules of the United States (TSUS) to suspend the column 1 rate of duty for analogues of methacrylomido glycolate methyl ether until December 31, 1992. The column 2 rate of duty would not be changed.

Background and Justification

Analogues of methacrylamidoglycolate methyl ether (MAGME) are specialty chemical compounds used as intermediates in the manufacture of coatings and adhesives. MAGME monomers offer the advantages of curing at low temperatures and using no formaldehyde component in the process. The chemical is a very desirable material used in constructing mobile homes and other close living quarters, where residual formaldehyde fumes have raised public concerns about formaldehyde as a suspected carcinogen.

Because of growth in the domestic demand for MAGME monomers, a U.S. company has indicated that plans will be made by 1989 to construct a facility within the United States. The facility will have the capacity to produce at least 10 million pounds per year to satisfy domestic needs in the future.

These MAGME monomers are not currently produced in the United States. American Cyanamid, the sole manufacturer of these proprietary chemicals, currently has plans to build a plant to produce these monomers within the next 5 years.

There is currently no domestic production of these chemicals. Because of the proprietary nature of the products, no firms other than American Cyanamid have or plan to have facilities in the United States.

Separate statistics for imports of these chemicals are not available as they are classified under a residual (basket) TSUS item. However, U.S. imports of this material are estimated to have been at a level of about $42,300 in 1985, increasing to about $1.1 million in 1986.

As there is no domestic production of these chemicals, U.S. exports of this chemical are estimated to have been nil during 1982-86. Apparent U.S. consumption is estimated to have been approximately equal to the level of imports during this period.

Comparison with Present Law

Tariff treatment under the TSUS.--Analogues of MAGME monomers are classified in TSUS item 425.22, a residual provision for nonenumerated amides. The column 1 duty rate is 3.7 percent ad valorem, and the column 2 rate of duty is 25 percent ad valorem. TSUS item 425.22 was established effective January 1, 1978, and modified as a result of Presidential Proclamation 4768 (implementing the Customs Valuation Code) with staged reductions granted during the Tokyo Round now having reached the present and final rate. No further duty reductions were negotiated.

When imported from beneficiary countries, these chemicals are eligible for duty-free entry under the Generalized System of Preferences (GSP) and the Caribbean Basin Economic Recovery Act (CBERA). The duty rate applicable to products of Israel is likewise "free" under this tariff item.

Tariff treatment under the proposed Harmonized Tariff System (HTS). --These chemicals are classifiable in HTS heading 2924.10.10, including other acyclic amides and derivatives. The column 1 general rate of duty proposed to be effective upon implementation of the HTS is 3.7 percent ad valorem.

Effects of Revenue

If the expected import quantities and price levels are achieved from 1988 to 1992, the potential annual loss of customs revenues would amount to approximately $63,000 in 1988 (based on January 1, 1988 enactment), $268,000 in 1989, $444,000 in 1990, $444,000 in 1991, and $444,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on July 8, 1987.

The ITC submitted an informative report on September 10, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#12) dated October 22, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2755

Supports:

Members of Congress

The Honorable Alan Mollohan, M.C., West Virginia

SECTION 121. THIOTHIAMINE HYDROCHLORIDE
(Originally introduced as H.R. 3271
by Mr. Rose)

Summary of Provision

Section 121 would provide a column 1 duty suspension on thiothiamine hydrochloride (TSUS item 425.36, HTS item 2934.90.50) until December 31, 1992.

Section-by-Section Analysis

This provision would add a new item, 908.32, to subpart B of the Appendix to the Tariff Schedules of the United States (TSUS) in order to suspend the column 1 rate of duty on thiothiamine hydrochloride until December 31, 1992. The column 2 rate of duty would not be changed.

Background and Justification

Thiothiamine hydrochloride is a light yellow solid, used principally as an intermediate in the manufacture of thiamine (Vitamin B1), and other intermediates related to vitamin B1.

Thiothiamine hydrochloride is used principally in the manufacture of vitamin B1. The competitive positions of U.S. firms could be improved by a suspension of duties on this intermediate.

The purpose of this legislation is to reduce the cost of this drug for U.S. consumers.

There is no domestic production of thiothiamine hydrochloride. Because of patented Japanese technology to produce this intermediate efficiently, it is not likely that thiothiamine hydrochloride will be produced in the United States in the near future.

Data concerning imports of thiothiamine hydrochloride are not available, because this chemical is one of many items classified in the TSUS category for thioamides, thiocarbamates, thiocyanates, thiurams, and isothiocyanates. Annual imports of thiothiamine hydrochloride are estimated to have been at a level of about 600,000 pounds per year, valued at $228,000, during 1982-86. No imports are believed to have been supplied by column 2 sources.

Data concerning exports of thiothiamine hydrochloride are not available. Exports are estimated to have been nil because of the lack of any domestic production during 1982-86. Apparent U.S. consumption is therefore estimated to have been approximately to the level of imports during this period.

Comparison with Present Law

Tariff treatment under the TSUS.--Thiothiamine hydrochloride is currently classified in item 425.36, which covers thiourea, thiourea dioxide, and other thioamides; thiocarbamates, thiocyanates, thiurams, and isothiocyanates. The applicable column 1 rate of duty of 3.7 percent ad valorem. The column 2 rate of duty is 25 percent ad valorem. The duty rate for this item was reduced from 5 percent ad valorem to 3.7 percent ad valorem as a result of Presidential Proclamation 4768 (Customs Valuation Code). No further staged duty reductions were negotiated.

Imports from eligible countries may qualify for duty-free treatment under the Generalized System of Preferences (GSP). Imports from beneficiary Caribbean countries are eligible for

duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--Thiothiamine hydrochloride is classifiable in HTS heading 2934.9050, which includes other heterocyclic compounds. The column 1 rate of duty upon implementation of the HTS is 7.9 percent ad valorem.

Effects on Revenue

If the expected import quantities and price levels are achieved from 1988 to 1992, the potential annual loss of revenue would amount to approximately $7,500 each year.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on October 8, 1987.

The ITC submitted an informative report on February 5, 1988.

The Department of Commerce submitted a no objection, if amended as suggested, report on June 2, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#12) dated October 23, 1987. No comments were received.

SECTION 122. OCTADECYL ISOCYANATE
(Originally introduced as H.R. 4500
by Mr. Mollohan)

Summary of Provision

Section 122 would provide a temporary column 1 duty suspension for octadecyl isocyanate (TSUS item 425.52, HTS item 2929.10.40) until December 31, 1992.

Section-by-Section Analysis

Section 122 would temporarily suspend the column 1 rate of duty for octadecyl isocyanate, provided for in item 425.52 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of part 1 of the Appendix to the TSUS to add new item 907.24, with duty-free entry for articles from MFN countries until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

Octadecyl isocyanate is a chemical used in the manufacture of adhesive resins for medical adhesive tape for bandages. It is also used in the manufacture of solid rocket fuel. Both applications require highly purified material. A third application, which uses less pure material, is as a waterproofing agent for some textiles.

Until 1987, octadecyl isocyanate was produced only by Mobay Corp. in a facility located in New Martinsville, WV. The firm produced only enough to satisfy domestic demand. Because of the age of the facility and the economics of operation in the United States, the company moved production to its parent facility in West Germany.

Annual production of octadecyl isocyanate was about 200,000 pounds, valued at about $1.0 million, from 1982 to 1986. In 1987, the firm produced approximately 300,000 pounds, valued at $1.5 million, in order to provide a smooth transition to imported material and to be able to supply end users of this product.

The product was first imported from West Germany into the United States in 1987 by Mobay Corp. A single shipment totaling about 10,000 pounds, valued at approximately $50,000, was entered. Imports are expected to achieve levels slightly greater than 200,000 pounds per year. The import level is expected to grow as GNP increases during the next 5 years, by about 3 percent per year.

There have been no exports of this product during the past 5 years.

Because domestic production supplied all of apparent consumption during 1982-87, with only one small imported shipment in 1987, domestic production was approximately equal to apparent consumption.

Comparison with Present Law

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--The HTS subheading covering octadecyl isocyanate is 2929.10.40. The proposed column 1 general duty rate to be effective upon implementation of the HTS is 13.5 percent ad valorem, while the proposed column 2 duty rate is 15.4 cents per kilogram plus 52 percent ad valorem.

Effects on Revenue

The estimated annual customs revenue loss resulting from the suspension during 1988 would be approximately $80,000 based on

suspension during 1988 would be approximately $80,000 based on January 1, 1988 enactment. During 1989-92, assuming enactment of the HTS, the annual customs revenue loss would amount to approximately $140,000, due to the resulting increase in the rate of duty on this compound.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 18, 1988.

The ITC submitted an informative report on June 28, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#20) dated June 1, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4500

Support

Private Sector:

Mobay

JM

SECTION 123. TEICOPLANIN
(Originally introduced as H.R. 2313
by Mr. Gradison)

Summary of Provision

Section 123 would provide a temporary column 1 duty suspension for teicoplanin (TSUS item 438.02, HTS item 2942.00.50) until December 31, 1992.

Section-by-Section Analysis

Section 123 would temporarily suspend the column 1 rate of duty for teicoplanin, classified in item 438.02 of the Tariff Schedules of the United States (TSUS). The provision would amend subpart B of part 1 of the Appendix to the TSUS to add item 907.80, providing duty-free entry for articles from column 1 countries until December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

Teicoplanin, which is under patent protection by Merrell Dow until 1997, is an antibiotic used to treat staphylococcus infections. It is a fermentation product of Actinoplanes teichomyceticus. Teicoplanin has not yet been approved by the Food and Drug Administration (FDA) for sale in the United States. It is anticipated that the product will be approved and launched in the United States in 1989.

The purpose of this legislation is to reduce the cost of this drug for U.S. consumers.

ITC records indicate that there was no domestic production of teicoplanin during 1982-86. No domestic production of the chemical is planned, mainly because an offshore facility of a U.S. firm manufactures this chemical.

Domestic sales are precluded by the current lack of FDA approval for the product. Once FDA approval is granted, Merrell Dow will be the sole company to market the product domestically until the patent expires.

U.S. import data for teicoplanin are unavailable, since teicoplanin is classified in a residual (basket) category of the TSUS. However, there were no imports of teicoplanin during 1982-86. Italy will probably be the future source of these imports.

Official U.S. export data for teicoplanin are not available since the drug is classified in a residual (basket) Schedule B provision. There were no apparent exports during 1982-86.

There is currently no domestic consumption of this product since it is not yet approved by the FDA. During 1988-90, no domestic production will be brought onstream. Therefore, domestic consumption of teicoplanin is expected to equal U.S. imports.

Comparison with Present Law

Tariff treatment under the TSUS.--If teicoplanin were imported, it would probably be classified in TSUS item 438.02 (certain other antibiotics), which has a column 1 rate of duty of 3.7 percent ad valorem. The column 2 rate of duty is 25 percent ad valorem. Products entering under this item are eligible for duty-free treatment if they are imported from the following sources: countries eligible for the Generalized System of Preferences (GSP), countries eligible for the Caribbean Basin Recovery Act (CBERA), or Israel, under the United States-Israel

Free Trade Area Implementation Act of 1985, as indicated in the Special column.

Tariff treatment under the proposed Harmonized System (HTS).--The HTS commodity code number for teicoplanin is 2942.00.50 (certain other synthetic antibiotics). The proposed column 1 rate of duty to be effective upon implementation of the HTS will be 3.7 percent ad valorem.

Effects on Revenue

Estimated average annual revenue losses during 1988-92 are expected to amount to $259,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on August 13, 1987.

The Department of Commerce submitted a no objection, if amended as suggested, report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2313

Supports:

Private Sector

Merrell Dow Pharmaceuticals, Inc.: "The need to enact duty suspension is essential to ensure that Merrell Dow can establish a product market in the U.S. for these new products."

SECTION 124. CERTAIN IMPORTED FLUORSPAR
(Originially introduced as H.R. 3637
by Mr. Pease)

Summary of Provision

Section 124 would temporarily suspend the duty on fluorspar (TSUS item 522.24 and HTS item 2529.21.00) containing not over 97 percent by weight of calcium fluoride, until December 31, 1992.

Section-by-Section Analysis

Section 124 would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (TSUS) to suspend temporarily the duty on fluorspar containing not over 97 percent by weight of calcium fluoride (TSUS item 522.24) until December 31, 1992.

Background and Justification

Fluorspar is a crystalline nonmetallic mineral having a calcium fluoride composition. The TSUS provides separate rates of duty for fluorspar containing over 97 percent by weight of calcium fluoride (item 522.21) and for fluorspar containing not over 97 percent by weight of calcium fluoride (item 522.24). This division corresponds roughly to what the trade considers to be acid-grade (over 97 percent) and ceramic and metallurgical-grade (not over 97 percent) fluorspar.

Most domestic fluorspar ore ranges from 35 to 45 percent effective calcium fluoride and is typically processed to produce higher-value acid-grade fluorspar.

Metallurgical-grade fluorspar is used primarily as a fluxing agent in basic open-hearth furnaces, electric furnaces, and oxygen steelmaking furnaces to thin the slag and facilitate passage of the impurities from the molten metal into the slag. In the oxygen steelmaking furnace and the electric furnace about 6 pounds of fluorspar are required per ton of steel produced, compared with about 9 pounds in an average open-hearth furnace. There is no satisfactory substitute for fluorspar in its major metallurgical applications.

The present duties on imported metallurgical-grade fluorspar have an adverse effect on the U.S. steel industry, without materially benefiting a U.S. industry, and thus such duties should be removed. Metallurgical-grade fluorspar, is widely used in the domestic steel industry as a fluxing agent, and virtually all metallurgical-grade fluorspar consumed in the United States in significant quantities is imported from Mexico. Acid-grade fluorspar and ceramic-grade fluorspar are both excluded from this legislation because there remains significant domestic production of these products and because South Africa is a primary supplier of acid-grade fluorspar to the United States.

There are three known U.S. producers of metallurgical-grade fluorspar. These include Hastie Trucking and Mining Company, Cave-in Rock, Illinois; J. Irving Crowell, Jr. and Son, Nye County, Nevada; and Machaca Resources, Alpine, Texas. All firms shipped only minor amounts of metallurgical-grade fluorspar during 1982-1986. U.S. industry production of metallurgical-grade fluorspar is insignificant due to the limited reserves of fluorspar in the United States and because it has been more profitable for U.S. producers to produce, from present reserves, acid-grade fluorspar which can be sold at a higher price than metallurgical-grade fluorspar ($173 per ton versus $125 per ton).

U.S. production data has been withheld to avoid disclosing company proprietary data. The U.S. Bureau of Mines indicates that U.S. production has not been significant during 1982-1986.

U.S. imports of metallurgical-grade fluorspar rose from 136,000 short tons ($10.1 million) in 1982 to 182,000 short tons ($12.0 million) in 1984 before declining to 123,000 short tons ($6.0 million) in 1986. Mexico supplied 98 percent of total U.S. imports of metallurgical-grade fluorspar in 1986.

There were no known U.S. exports of metallurgical-grade fluorspar during 1982-1986.

U.S. apparent consumption of metallurgical-grade fluorspar increased from 136,000 short tons ($10.1 million) in 1982 to 182,000 short tons ($12.0 million) in 1984 before declining to 123,000 short tons ($6.0 million) in 1986 due to weak demand by the domestic steel industry.

Comparison with Present Law

Tariff treatment under the TSUS: Metallurgical-grade fluorspar is classified under item 522.24. The column 1 rate of duty provided for item 522.24 is 13.5 percent ad valorem, while the column 2 rate of duty is 13.5 percent ad valorem. The column 1 rate was not reduced as a result of the Tokyo Round of Multilateral Trade Negotiations. Articles entering under item 522.24 are not eligible for duty-free treatment under the Generalized System of Preferences (GSP) but are eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA). Articles entering under the U.S.-Israel Free Trade Area Implementation Act of 1985 are assessed a 5.4 percent ad valorem rate of duty.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS): Metallurgical-grade fluorspar is classified under HTS item 2529.21.00 with a general rate of duty of 13.5 percent ad valorem, while the column 2 rate of duty is 13.5 percent ad valorem.

Effect on Revenue

The annual customs revenue loss, based on 1986 imports of metallurgical-grade fluorspar, valued at $6.0 million, is estimated at approximately $809,000 based on a 13.5 percent ad valorem duty.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on November 19, 1987.

The ITC submitted an informative report on February 8, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#14) dated December 18, 1987.

WRITTEN COMMENTS RECEIVED
ON H.R. 3637

Supports:

Private Sector

American Iron and Steel Institute: Fluorspar is considered a strategic and critical commodity because U.S. import reliance is greater than 85 percent and fluorspar is necessary in most steel and aluminum production processes. Reserves of fluorspar in the United States are not sufficient to meet U.S. demand until the year 2000. Foreign reserves of fluorspar are more than adequate and foreign producers, because of lower operating costs, are able to export to the United States at prices below those that are profitable for most domestic producers.

SECTION 125. CERAMIC STATUES, STATUETTES, AND HANDMADE FLOWERS
(Originally introduced as H.R. 4092
by Mr. Smith)

Summary of Provision

Section 125 would provide a temporary duty reduction for ceramic statues, statuettes, and handmade flowers (TSUS item 534.11, HTS item 6913.10.10, and 6913.90.10) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 125 would amend the Tariff schedules of the United States (TSUS) by adding item 909.23, which would provide for a temporary duty reduction for statues, statuettes, and handmade flowers, all the foregoing of ceramic ware (provided for in item 534.11, part 2C, schedule 5). Articles that are classified under this proposed item and that are imported from those countries entitled to column 1 treatment would be subject to a reduced rate of 2.6 percent ad valorem duty, rather than the 3.1 percent ad valorem rate provided for in item 534.11 until December 31, 1992. Until December 31, 1987, the reduced rate of duty was applied to such imports as a compensatory concession under TSUS item 947.29 which was established in Presidential Proclamation No. 5140. Imports from eligible GSP and Caribbean countries and Israel would continue to enter duty free. The column 2 rate of duty would remain at 20 percent ad valorem.

Background and Justification

The reduced duties on the merchandise subsequently imported provide a considerable cost savings for U.S. firms.

The ceramic art and ornamental articles covered by this proposal -- statues, statuettes, and handmade flowers of ceramic ware -- are for tariff classification purposes valued over $2.50 each and produced by professional sculptors or produced directly from molds made from original models produced by professional sculptors. These articles, which are principally for decorative purposes, are generally moderate- to high-priced collectors' items and often appear as limited editions.

These articles are generally manufactured from earthenware, stoneware, porcelain, or chinaware. Because these articles are usually not uniform in shape or size, most articles are formed by hand or slip cast. In this process, liquid clay (slip) is poured into a mold and excess slip is poured off, leaving an even lining of clay on the inside of the mold. The mold absorbs the excess water from the slip, thus firming and hardening the clay. After sufficient time, the ware is removed from the mold and dried. Some articles required the joining of pieces to complete a figure.

This resulting greenware is fired, preparing the article for decoration. Most of these articles are hand decorated due to the complexity of the ware, which does not lend itself to an automated process. After the first firing, the ware is usually decorated, glazed, and refired (not necessarily in that order).

There are few known domestic manufacturers of ceramic statues, statuettes, and handmade flowers produced by professional sculptors. Edward Marshall Boehm, Inc. (Trenton, NJ) manufactures handcrafted porcelain art objects, and also imports similar items from its facility in England. Cybis Porcelains (Trenton, NJ), which produces a limited collection of porcelain figurines, indicated that renewed implementation of the reduced rate of duty

for imports of these items would have little or no impact on their operations. Information on shares of U.S. production/sales accounted for by these firms or employment is unavailable due to the small size of the industry and confidentiality considerations.

This type of ceramic art item competes in the broader category of collectibles with such items as glass art products and other lower-priced, mass produced ceramic and glass items. However, these items are not considered to be directly substitutable for each other, with their purchase reflecting primarily consumer preference, price, and branch recognition.

Due to the unavailability of data through government sources, domestic production data for ceramic statues, statuettes, and handmade flowers cannot be provided.

Total imports of ceramic statues, statuettes, and handmade flowers classified under TSUS item 534.11 during 1983-87 were as follows: $50,186,000 in 1983, $64,430,000 in 1984, $76,742,000 in 1985, $100,228,000 in 1986, and $114,417,000 in 1987.

The principal supplying countries of imports under item 534.11 in 1987 were: $37,367,000 from Taiwan, $326,304,000 from West Germany, $26,097,000 from Spain, $7,113,000 from Japan, and $6,051,000 from the United Kingdom.

Imports of these ceramic art and ornamental articles under the GSP in 1987 accounted for 18 percent of total U.S. imports. Taiwan was the only GSP source of significance, with 14 percent ($16.5 million) of total imports entering duty-free from this country under the GSP in 1987. Imports under CBERA, Israel, items 806/807, and column 2 were negligible.

Specific export data for ceramic statues, statuettes, and handmade flowers are unavailable due to its inclusion with other products in a "basket" category.

Data for apparent U.S. consumption during 1983-87 are unavailable due to the lack of export data specific to the item and the unavailability of U.S. producers' shipment data.

Comparison with Present Law

Tariff treatment under the TSUS.--The current applicable tariff classification for these articles is item 534.11, which covers statues, statuettes, and handmade flowers of ceramic ware, valued over $2.50 each and produced by professional sculptors or directly from molds made from original models produced by professional sculptors. The column 1 rate of duty for this item is 3.1 percent ad valorem, while the column 2 rate of duty is 20 percent ad valorem. Imports from eligible GSP and Caribbean countries and Israel enter duty free. Until December 31, 1987, item 947.29, which was established in Presidential Proclamation No. 5140 which provided compensatory concessions for the imposition of increased duties on enameled or glazed nonelectric cooking ware of steel, was the correct tariff item for these articles.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--Statues, statuettes, and handmade flowers of ceramic ware will be classified under proposed HTS subheadings 6913.10.10 (of porcelain or china) or 6913.90.10 (of other ceramic materials). The column 1 rate of duty for both items will be 3.1 percent ad valorem and 20 percent ad valorem for column 2 countries. Imports from eligible GSP and Caribbean countries and Israel will enter duty free.

Effects on Revenue

The 1987 duty rate effective for item 534.11 under temporary duty concessions, 2.6 percent ad valorem, is the same as the proposed duty rate for item 909.20. Under the current duty rate

of 3.1 percent ad valorem, the revenue collected for 1987 imports would have totaled $2.8 million, compared with the actual $2.4 million collected in 1987. Thus, the annual revenue loss from the proposed duty reduction would be approximately $400,000. These revenue figures reflect the duty free entry of GSP imports and those from Israel.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on March 30, 1988.

The ITC submitted an informative report on May 26, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4092

Supports:

Private sector

Importers of Ceramic Statues, Statuettes, and Handmade Flowers from the United Kingdom and Continental Europe

SECTION 126. ALUMINUM LUGGAGE FRAMES
(Originally introduced as H.R. 2444
by Mr. Miller of Washington)

Summary of Provision

Section 126 would provide a temporary column 1 duty suspension for luggage frames of aluminum (TSUS item 657.40, HTS item 7616.90.00) until December 31, 1992.

Section-by-Section Analysis

Section 126 would amend the Tariff Schedules of the United States (TSUS) by adding a new tariff item (Appendix item 911.92) covering luggage frames of aluminum currently classified in TSUS item 657.40. Imports under TSUS item 911.92 would enter free of duty from all countries entitled to column 1 treatment until the close of December 31, 1992. The column 2 rate of duty would remain at 45 percent ad valorem.

Background and Justification

The aluminum luggage frames covered by this legislation are the skeletons of luggage, providing its shape and supporting its outer coverings and attachments--namely, textiles, locks, plywood, and so forth.

In manufacturing this type of luggage, the desired shapes are first extruded from alloy billets and then heat treated for hardness. The extrusions are bent to a predetermined shape with special attention to assure that channels in the extrusions remain open. The bent extrusions are then surface treated with color and anodized before being used in the final assembly process.

The temporary duty suspension legislation would ensure that imports of aluminum luggage frames from Taiwan receive duty-free treatment despite Taiwan's loss of GSP eligibility effective July 1, 1987 for exceeding competitive need limits with respect to TSUS item 657.40. U.S. frame manufacturers are unable to duplicate the aluminum frames imported from Taiwan or have declined to produce the frames; the continuation of duty-free treatment for these articles would avoid increased costs to U.S. consumers.

Aluminum luggage frames are generally manufactured by extruders or roll formers that produce a variety of other products, or by subsidiaries of luggage manufacturers. These frames are manufactured to a customer's specifications and are not produced for sale on the market. Futura Industries (Clearfield, UT) is the only firm that has been identified by Skyway Luggage as a domestic manufacturer of these frames. No government data specify the number of firms producing or capable of producing aluminum luggage frames or their level of employment.

Due to the unavailability of data through official sources and the report that only one U.S. producer exists, domestic production data cannot be provided.

Specific import data for aluminum luggage frames are unavailable due to their inclusion with other products in a residual or "basket" tariff item. Total imports under TSUS item 657.40 (miscellaneous articles of aluminum, not coated or plated with precious metal) during 1982-86 were as follows: $82,081,000 in 1982; $75,542,000 in 1983; $114,610,000 in 1983; $141,263,000 in 1984; $141,263,000 in 1985; and $178,903,000 in 1986.

However, imports of aluminum luggage frames are included in statistical annotation 657.4080 (nonenumerated articles of aluminum, not plated or coated with precious metal, other than tripods for photographic or other use and other than ladders), for which imports totaled $137.4 million in 1986.

The principal countries supplying imports under TSUS item 657.40 in 1986 were $36,658,000 from Taiwan; $27,702,000 from West Germany, $27,573,000 from Canada, $18,239,000 from Japan; and $14,880,000 from Mexico.

The leading sources of imports under TSUSA item 657.4080 in 1986 were $27,408,000 from Canada, $25,847,000 from West Germany, and $17,289,000 from Taiwan.

Imports under TSUS item 657.40 under the GSP accounted for 33 percent of total imports under the provision in 1986. The principal GSP sources in 1986 were $35,563,000 from Taiwan, $6,744,000 from Mexico, $4,908,000 from Korea, and $4,472,000 from Brazil.

Imports under the GSP under TSUSA item 657.4080 accounted for 26 percent of total imports under that provision. The principal GSP sources in 1986 for imports under TSUSA item 657.4080 were $16,721,000 from Taiwan, $4,472,000 from Brazil, $3,827,000 from Mexico.

Imports from CBERA and column 2 countries were negligible in 1986. Specific export data for aluminum luggage frames are unavailable due to their inclusion with other products in a residual Schedule B category. Total exports during 1982-86 under schedule B number 657.4344, which includes aluminum luggage frames, are as follows: $91,725,000 in 1982, $99,762,00 in 1983, $72,248,000 in 1984, $59,287,000 in 1985, and $57,987,000 in 1986.

Data for apparent U.S. consumption during 1982-86 are not available because of the lack of U.S. producers' shipment data and specific import and export information.

Comparison with Present Law

Tariff treatment under the TSUS.-- Aluminum luggage frames are currently classified in TSUS item 657.40, which covers articles of aluminum not coated or plated with precious metal. Articles provided for in this TSUS item are eligible for duty-free entry under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), and the United States-Israel Free Trade Area Implementation Act of 1985. The current and negotiated rates of duty for TSUS item 657.40 are 5.7% ad valorem column 1 duty rate in 1987, and 45% cue 2.

Tariff treatment under the proposed Harmonized System (HTS).--Aluminum luggage frames will likely be classified in proposed HTS subheading 7616.90.00, covering miscellaneous articles of aluminum. The column 1 (general) rate of duty is proposed to be 5.7 percent ad valorem.

Effects on Revenue

Due to the inclusion of aluminum luggage frames with other products in TSUS item 657.40, the specific customs revenue loss attributable to the proposed duty suspension is unavailable. However, a maximum estimate of the revenue loss can be derived and viewed in light of the calculated duties in 1986 on imports of all miscellaneous aluminum articles not coated or plated with precious metal (TSUSA item 657.4080). Without reference to GSP or CBERA imports, the duties payable in 1986 could have amounted to $8.6 million; however, taking into account GSP and DBERA shipments, the calculated duties totaled $5.9 million. Applying the 1987 duty rate of 5.7 percent ad valorem to the dutiable value of 1986 imports, the estimated maximum revenue loss would be about $5.2 million.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on June 1, 1987.

The ITC submitted an informative report on August 7, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release #9 dated May 26, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2444

Supports:

Private Sector

Skyway Luggage Company: "Skyway Luggage Company strongly supports passage of H.R. 2444. Passage of this bill would go far to protect the domestic luggage industry and to protect employment within that industry. Failure to pass this bill will not benefit any U.S. industry. On the contrary, it will have a negative impact on U.S. consumers, U.S. manufacturers, and U.S. laborers. At a time when much of the domestic luggage industry has been unable to compete in the international market, Skyway has been able to do so successfully. However, its continued competitiveness depends on its ability to produce raw materials at the best possible prices. Passage of H.R. 2444 is one step to helping an American industry, to maintaining American jobs, and to sustaining American trade.

SECTION 127. IMPACT LINE PRINTERS
(Originally introduced as H.R. 4504
by Mr. Frenzel)

Summary of Provision

Section 127 would temporarily reduce the column 2 rate of duty on certain impact line printers (TSUS item 676.30, HTS 8471.92.65.80) until December 31, 1992.

Section-by-Section Analysis

Section 127 would temporarily reduce the column 2 rate of duty on impact line printers using band drive mechanisms and which are capable of printing speeds of not less than 1300 lines per minute from 35 percent ad valorem to 3.75 percent ad valorem. Such devices are currently classified in item 676.30 of the Tariff Schedules of the United States (TSUS). This provision would amend subpart B of part 1 of the appendix to the TSUS by adding a new item 912.14, to allow imports of impact line printers from certain communist countries to be dutiable at the rate of 3.75 percent ad valorem until December 31, 1992.

Background and Justification

This legislation is intended to counteract the loss of Generalized System of Preferences (GSP) privileges which the company enjoyed on imports from Romania. These GSP privileges were rescinded by the President on March 4, 1987, due to the Romanian government's failure to enforce internationally accepted workers' rights. In addition, Romania lost its "most-favored-nation" (MFN) status and the corresponding lower column 1 rate of duty in July 1988. The legislation seeks to have the column 2 rate of duty on impact line printers lowered to a level roughly equal to that of the column 1 rate so as not to put their printer imports at a severe cost disadvantage in the U.S. market.

Impact line printers are used for high speed computer-output printing. These devices utilize multiple rapid-action print hammers to press continuously fed paper against an inked ribbon and moving-type elements. The type element may be a rotating drum, an horizontal type bar, or a string of type "slugs." This method prints entire lines (usually 80 to 132 characters) simultaneously, rather than one character at a time as is done by "serial" printers. With an output of 300 to 2,000 lines per minute, impact line printers have come to dominate the U.S. computer printer market. Impact printer technology is required for the printing of multiple copy carbon forms such as invoices, receipts, contracts, and accounting transmittals. Impact line printers are slowly being superseded by even faster "page" printers. Currently they compete with dot matrix and daisywheel impact printers, as well as with serial, ink jet, and laser printers.

The Computer and Business Equipment Manufacturers Association (CBEMA) lists 19 U.S. manufacturers, value-added assemblers, and distributors of impact line printers. The majority of these establishments are based in California, Massachusetts, and Texas. Impact line printers are produced for both captive (intracompany) and merchant (independent sales) markets. Employment estimates for specific printer types are unavailable.

Officials at Xerox, Unisys, IBM, and Honeywell have indicated that the proposed duty change would affect such a small portion of their markets that they would have no position with respect to this provision. No domestic firms are known to be producing printers comparable to those imported from Romania.

U.S. shipments of impact line printers increased from $558 million in 1984 to $588 million in 1986, or by 5 percent. The U.S. Department of Commerce did not report data on these specific types of printers prior to 1984, and data for 1987 are currently not available.

U.S. imports of impact line printers cannot be determined because they are not separately provided for in the TSUSA. In 1987, imports of these machines, along with other types of printers classified under TSUSA item 676.3073, were valued at $295 million. Of these imports, a total of $1.2 million was accounted for by Romania. Imports under this provision for other communist countries which were not accorded MFN status amounted to less than $2,000 in 1987.

Impact line printers are not separately provided for in the U.S. export schedule. As an indicator of the level of exports, exports of all printers increased from $468 million in 1983 to $497 million in 1987. Major foreign markets for U.S. printers include the United Kingdom, Canada, West Germany, and the Netherlands.

Data on apparent U.S. consumption of impact line printers reported by CBEMA are significantly higher than those that can be reasonably constructed from information reported by the U.S. Department of Commerce. Information supplied by CBEMA indicates that domestic consumption remained relatively flat during the past five years, decreasing irregularly from $2.6 billion in 1983 to $2.5 billion in 1987. Information published by Commerce on U.S. shipments of impact line printers would indicate that apparent U.S. consumption could only be 30 percent as large as that reported by CBEMA. This large difference suggests that information supplied by CBEMA covers printers other than impact line printers.

Comparison with Present Law

Tariff treatment under the TSUS.--Impact line printers are classified in TSUS item 676.30 and are statistically reported under TSUSA item 676.3073 along with impact page, ink jet, and thermal printers. The column 1 rate of duty for these devices is 3.7 percent ad valorem, whereas the column 2 rate is 35 percent ad valorem. Imports from all designated beneficiary countries are eligible for duty-free treatment under the GSP and the Caribbean Basin Economic Recovery Act. Products of Israel also enter the United States free of duty.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--Impact line printers are classified in HTS subheading 8471.92.65 and are statistically reported under item 8471.92.65.80. The general MFN rate of duty on imports of these goods is 3.7 percent ad valorem, whereas the column 2 rate is 35 percent ad valorem.

Effects of Revenue

In 1987, a total of $686 in duties was collected on imports of printers entered under item 676.3073 from countries lacking MFN status (column 2). A total of $44,000 was collected on column 1 imports from Romania under this provision. In the event that this provision fails to pass following Romania's removal from the list of countries accorded MFN status, customs revenues will likely decline by not more than $50,000 each year during 1989-91 because imports from Romania will decline. If the provision passes, imports of impact line printers are likely to continue at their present levels, resulting in no change in tariff revenues.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 18, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#20) dated June 1, 1988.

WRITTEN COMMENTS RECEIVED
ON H.R. 4504

Supports:

Private Sector

GENICOM Corporation

Control Data Corporation

SECTION 128. CERTAIN INFANT NURSERY MONITORS AND INTERCOMS
(Originally introduced as H.R. 4679
by Mr. Skaggs)

Summary of Provision

Section 128 would provide a temporary column 1 duty suspension on infant nursery monitor systems, and infant nursery intercommunications devices systems (TSUS items 685.30, 685.16, 682.60 and 685.22, HTS items 8525.10.60, 8525.90.80, 8504.40.00, and 8525.20.20) until December 31, 1992.

Section-by-Section Analysis

Section 128 would suspend the column 1 rate of duty on infant nursery monitors systems, and infant nursery intercommunications systems. Infant nursery monitors are classified as radio transmitters under TSUS item 685.30 with a column 1 rate of duty of 6 percent ad valorem and as solid-state radio receivers under TSUS item 682.60 with a column 1 rate of duty of 3 percent ad valorem. Infant nursery intercommunications devices are low-powered radio telephone transceivers operating on frequencies from 49.82 to 49.90 mHz classified under TSUS item 685.22 with a column 1 rate of duty of 2.4 percent ad valorem. The provision would amend subpart B of part 1 of the appendix to the TSUS by adding new items 912.50 and 912.51 to allow duty free entry of these products until December 31, 1992.

Background and Justification

All infant nursery monitors and intercoms sold in the U.S. market are produced by foreign firms because there are no U.S. firms producing these articles. U.S. consumers would therefore benefit from the temporary suspension of duty on imports of these articles.

Two types of intercommunications (intercom) units are covered by the bill. The first is described as an infant nursery monitor system, consisting of a radio transmitter (presumable equipped with a microphone) that can be placed near the infant and a radio receiver located near the parent or attendant which receives the sounds made by the infant. In addition to the separate transmitter and receiver units, an electrical adaptor is provided to power the transmitter using house current (wall socket). This monitor system has the capability to communicate in only one direction; that is, from the nursery to the parent.

The second type of monitor described in the bill is a two-way intercommunication system, consisting of a pair of 49 mHz transceivers and an electrical adaptor unit. This type of monitor is used in the same manner as the first type except that the two units are transceivers which are capable of two way communications. Thus, the parent or attendant hearing sounds can respond to the infant through the transceiver unit located near the infant. Because these transceiver units have a low power rating and operate in the 49 mHz frequency band, the user is not required to obtain a radio operator or radio station license. The range of operation of these infant nursery monitoring units is lifted because of this low-power rating.

There are no U.S. firms producing infant nursery monitors and intercoms.

U.S. imports of infant nursery monitors and intercoms cannot be determined because they are not separately provided for in the TSUS.

U.S. exports of infant nursery monitors and intercoms can not be determined because they are not separately provided for in the export schedule.

Apparent U.S. consumption of infant nursery monitors and intercoms cannot be determined because of the lack of data.

Comparison with Present Law

Tariff treatment under the TSUS.--Infant nursery monitors are classified as transmitters under TSUS item 685.30 and as radio receivers under item 685.16. Electrical adaptors for these units are classified as rectifying apparatus under item 682.60. Infant nursery inter-communication devices are classified as transceivers under item 685.22. The column 1 rate of duty for articles imported under 685.16 and 685.30 is 6 percent ad valorem and that for articles imported under 685.22 is 2.4 percent ad valorem. The column 1 rate of duty for articles imported under item 682.60 is 3 percent ad valorem. The column 2 rate of duty for all imported articles covered by the bill is 35 percent ad valorem. Imports classified under items 682.60, 685.16, 685.22, and 685.30 are eligible for duty-free treatment under the Generalized System of Preferences (GSP) and the Caribbean Basin Economic Recovery Act. Imports classified under these TSUS items, except radio receivers classified under item 685.16, are also eligible for duty-free treatment, if imported from Israel. Articles imported from Israel under this provision are dutiable at 2.4 percent ad valorem.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS)--Infant nursery monitors are classified as transmitters under HTS item 8525.10.60 and as radio receivers under item 8525.90.80. Electrical adapters for these units are classified as rectifying apparatus under item 8504.40.00. Infant nursery intercommunications devices are classified as transceivers under item 8525.90.80 and 8525.10.60 is 6 percent ad valorem and that for articles imported under 8525.20.20 is 2.4 percent ad valorem. The column 1 rate of duty for articles imported under item 8504.40.00 is 3 percent ad valorem. The column 2 rate of duty for all imported articles covered by the bill is 35 percent ad valorem.

Effect on Revenue

The effect on revenue cannot be determined because of the lack of data on the level of imports of infant nursery monitors and intermcoms.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on June 1, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#20) dated June 1, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4679

Support

Private Sector

Genco Inc.

SECTION 129. THREE-DIMENSIONAL CAMERAS
(Originally introduced as H.R. 3626
by Mr. Bilbray)

Summary of Provision

Section 129 would temporarily suspend the column 1 rate of duty on "cameras capable of producing a three-dimensional effect on standard 35mm photographic film" (TSUS item 722.11, HTS item 9006.53.00) until December 31, 1992.

Section-by-Section Analysis

This provision would amend the Tariff Schedules of the United States (TSUS) by inserting at the same level of indentation a new item (912.22) providing for temporary suspension of the column 1 rate of duty for "cameras capable of producing a three-dimensional effect on standard 35mm photographic film" until December 31, 1992.

Background and Justification

The legislation would help to diversify the Nevada economy, by offering an alternative to the gaming industry and would provide consumers with a new and unique product. The sole distributor of the three-dimensional camera and processor of three-dimensional film is located in Henderson, Nevada.

Three-dimensional or stereoscopic vision results from the phenomena of simultaneous binocular vision, which produces a vivid perception of relative distances of objects in space. With stereoscopic vision, a parallax image (volume and distance -- the key aspects of the third dimension) is achieved. Stereo photography is the creation of photographic images that, when viewed properly, simulate the parallax images the eyes would see in viewing the original scenes, so that the third dimension is perceived. These images may be recorded by a camera in four ways: (1) with two lenses separated the same average distance as the human eyes, (2) by two separate cameras spaced at a suitable distance, (3) by a single camera moved the necessary distance between two successive exposures, or (4) by a number of specialized means.

The camera currently under consideration for duty-free import falls into the last category. It is essentially modeled after the Nimslo camera, which was introduced in this country in 1982. The heart of the Nimslo is the Quadra Lens system. Four 18x24mm half-frames are taken per shot and two exposures are used. Standard 35mm film is employed, but the photofinishing requires a specialized process. No special glasses or viewers are needed to see the three-dimensional effect on the resulting prints. All features are incorporated in a camera measuring 5-3/8" x 2-7/8" x 1-5/8" and weighing 12 ounces. Despite earlier expectations that the three-dimensional camera would supplant the 35mm camera and become the next generation in photography, industry analysts now agree that the 3-D camera is a novelty item with a limited market.

There are no producers of three-dimensional cameras in the United States.

There is no domestic production of the article under consideration.

There are no U.S. exports of the article under consideration.

According to sources at Nimslo, from 1982 through 1984, approximately 200,000 three-dimensional cameras, valued at not more than $2 million, were imported into the United States. A negligible amount has been imported since that time.

As there is no domestic production of the item, imports are the sole source of consumption. It is estimated that from 1982 through 1984, U.S. consumption amounted to approximately 200,000 three-dimensional cameras. A negligible amount has been consumed since that time.

Comparison with Present Law

Tariff treatment under the TSUS.--Hand-held cameras capable of producing a three-dimensional effect on standard 35mm photographic film are classifiable under TSUS item 722.11. The current column 1 rate of duty for this item is 4 percent ad valorem. The column 2 rate of duty is 20 percent ad valorem. Duty-free status is accorded to GSP countries (except Hong Kong, Korea, and Taiwan), CBERA countries, and Israel under the United States-Israel Free Trade Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--Three-dimensional cameras are classified under subheading 9006.53.00 and have a column 1 rate of duty of 3 percent.

Effects on Revenue

The importer anticipates import levels of 100,000 units in 1988 and 200,000 to 300,000 in each of the years 1989 through 1992. Annual revenue losses are estimated to be $60,000 in 1988 (based on January 1,1988 enactment), and between $100,000 and $200,000 annually thereafter.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on November 19, 1987.

The ITC submitted an informative report on May 12, 1987.

The Department of Commerce submitted a no objection, if amended as suggested, report on June 22, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#14) dated December 18, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 3626

Supports:

Members of Congress

R.T. (Tom) Phillips, U.S.S., Georgia

Barbara F. Vucanovich, M.C., Nevada

Private Sector

Atlanta Chamber of Commerce, Gerald L. Barters

Lt. Governor, State of Nevada, Bob Miller

Richard H. Bryan, Governor of Nevada

Lorna Kesterson, Mayor of Henderson, Nevada

Henderson Development Association

Atlanta Investments, Inc.
Re/Max North Atlanta, Inc. (3)
DeKalb County Commissioner
Bell Industries (2)
Hamilton Dorsey Alsten Company
John Stephens Company, Inc.
Tipp Machine & Tool, Inc.
Stephen & Associates, Inc.
Technoskill, Inc.
Cox Machine Company
Tad Technical Services
Lee Line
Typing Plus
Bank South, N.A.
Gwinneh County Com.
Johnson Service Group
Martin & Associates
Datech Precision Machining, Inc.
Newark Electronics
American House & Hardware
Swift-Atlanta, Inc.

First Interstate Bank

Nevada Development Authority

Selma Bartlet

Volt Information Sciences, Inc., Christini A. Mulvey

Ned D. Burris, Photography

Employees of the Nissei Corp.

The Nissei Corporation

SECTION 130. MAGNETIC VIDEO TAPE
(Originally introduced as H.R. 1981
by Mr. Matsui)

Summary of Provision

Section 130 would temporarily suspend the column 1 rate of duty on certain magnetic video tape on which pictures or pictures and sound have been recorded (TSUS item 724.12, HTS item 8524.23.10) until December 31, 1992.

Section-by-Section Analysis

Section 130 would temporarily suspend the column 1 rate of duty for magnetic video tape on which pictures or pictures and sound have been recorded, of a width not exceeding 5/8 inch, in cassettes of United States origin and so certified by the importer; valued at not over $7.00 per pre-recorded cassette unit, as provided for in item 724.12 of the Tariff Schedules of the United States (TSUS). This would be accomplished by enacting item 913.00 in the Appendix to the TSUS, providing for this temporary treatment until December 31, 1992. There would be no change in the tariff treatment of imports of this item from column 2 countries.

Background and Justification

Magnetic video tape with pictures or pictures and sound is simply blank magnetic media on which a recording has been made and is composed of: oxide particles which hold the recording, the base upon which the oxide is coated (usually polyester film), and the binder which holds the oxide to the base. Magnetic video tape contain commercial recordings for movie rentals, television shows, commercials, music videos and recordings for instructional purposes. This tape is currently available in several widths and lengths depending on the end use. The tape most commonly used in commercial movie rentals is usually 1/2 inch wide and approximately 2 hours long (800 feet-VHS and 560 feet-Beta).

Video tape that is produced and used in the United States must be compatible with U.S. hardware. U.S. produced tape must conform to the National Television Systems Committee (NTSC) standards. All tape imported into the United States must be recorded using the NTSC standards also. Magnetic video tapes are available in the form of master tapes and duplicated copies. The producers of master tapes retain the property rights after the tape is sold outright to a duplicator for mass production and distribution to retail outlets.

The purpose of the legislation is to facilitate increased capacity for producing long length tapes for U.S. manufacturers. The number of duplicators (approximately 35,000) operating in the United States are not able to keep pace with growing demand in the home rental market. This legislation would reduce the cost of this product to U.S. consumers.

There are several hundred manufacturers of master recordings of magnetic video tape operating in the United States. The industry is dominated by the major television networks and movie production companies (majors and independents). Duplicators are estimated at 35,000 nationwide. The top four duplicators account for approximately 75 percent of U.S. duplicating.

No data is available for estimated production in 1982. Industry sources indicate that approximately 75 million units were produced in the United States in 1986. This number represents the units shipped to consumer distribution centers.

During 1982-86, U.S. imports of magnetic video tape increased 766 percent in terms of quantity and 422 percent in terms of value as imports increased from 108 million linear feet, valued at $7 million in 1982 to 935 million linear feet, valued at $36.3 million in 1986. These imports include master tapes and duplicated copies ready for final distribution. Canada is the largest supplier of these articles to the U.S. market and, in 1986, Canada supplied 36 percent of total imports. Hong Kong is the second largest supplier to the U.S. market and, in 1986, these imports accounted for 33 percent of total imports. In terms of value, total imports from GSP countries amounted to $17.6 million in 1986 or 48 percent of the total. Imports from communist countries amounted to $10,000 in 1986 or less than 0.5 percent of total imports. No data is available on the ten largest importers of magnetic video tape.

In terms of quantity, exports decreased annually from 3.3 billion linear feet in 1983 to 995 million linear feet in 1986. However, in terms of value, U.S. exports of magnetic video tape increased from $26.7 million in 1982, to $40.8 million in 1984 and then decreased to $28.3 million in 1986. No data is available on the largest exporters of these commodities.

Apparent U.S. consumption

Combined sales and rentals of magnetic video tape is estimated at $5.7 billion in 1986. This figure includes estimated income from movie rentals (the predominant share), sales of the master video tape used for duplicating and purchases of video tapes. Imports account for a moderate portion of domestic consumption.

Comparison with Present Law

Tariff treatment under the TSUS.--Magnetic video tape is currently classified in TSUS item 724.12 and dutiable at 0.2 cents per linear foot under column 1. The column 2 rate is 1 cent per linear foot.

The article classified in item 724.12 are currently eligible for duty-free treatment under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), and the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized System (HTS).--Under the proposed HTS, magnetic video tape is classified as video tape recordings, under commodity code number 8524.23.10. The column 1 (general) rate of duty to be effective upon implementation of the HTS is 0.66 cents/linear meter.

Effects on Revenue

Sales of magnetic video are expected to continue expanding at its present rate. This is chiefly a result of expected increased video cassette recorder (VCR) sales. Based on these estimates, customs revenue loss from enactment of this legislation would range from approximately $750 thousand to $1 million annually.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 15, 1987.

The ITC submitted an informative report on July 2, 1987.

The Department of Commerce submitted an adverse report on June 22, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

WRITTEN COMMENTS RECEIVED
ON H.R. 1981

Supports:

Private Sector

Bell & Howell/Columbia Pictures Video Services: "... passage of the bill would:

(1) cure an anomaly in the Tariff Schedules and end the discriminatory treatment of pre-recorded video cassettes imported for home use;

(2) prevent the imposition of duties of about 38% on articles which had previously been duty-free under the Nairobi Protocol;

(3) enable U.S. manufacturers of video cassettes to supplement their existing capacity to meet increased demand; and

(4) rectify recent rulings by the Customs Service that depart from case law and prior administrative rulings of Customs and deny GSP treatment to certain pre-recorded cassettes."

SECTION 131. RATTAN FURNITURE
(Originally introduced as H.R. 4269
by Mr. Andrews)

Summary of Provision

Section 131 would provide a temporary duty suspension for furniture of unspun fibrous vegetable materials (TSUS items 727.11, 727.13, and 727.14, HTS items 9401.50.00, 9401.90.25, 9403.80.30 and 9403.90.25) until December 31, 1992.

Section-by-Section Analysis

Section 131 would amend the Tariff Schedules of the United States (TSUS) by inserting a new item, 912.25 and by providing temporary duty-free treatment for said item, namely, "furniture of unspun fibrous vegetable materials" (TSUS item numbers 727.11, 727.13, 727.14; HTS item numbers 9401.50.00, 9401.90.25, 9403.80.30, and 9403.90.25) until December 31, 1992.

Background and Justification

This legislation would help importers of this type of furniture that are located in the state of Texas, as well as elsewhere in the United States. There are very few U.S. producers of this type of furniture that might oppose the legislation.

Furniture made of unspun fibrous vegetable materials includes items made from rattan, willow, buri, cane and other similar materials. For the most part, these materials are only produced in tropical areas. Virtually all of these materials are supplied by S.E. Asian countries. Much of this material is either woven (as is the case with wicker) or bent to form the frames for items such as chairs, sofas, tables, and headboards for beds. The manufacture of this furniture is very labor intensive. As a result, U.S. producers generally either import unfinished frames or furniture parts and assemble and finish the items or import the finished item. Very few U.S. producers import the raw materials and produce the furniture in its entirety. What production does occur is limited mostly to higher priced items.

Traditionally, this type of furniture has been used on porches or as outdoor furniture and, to a lesser extent, elsewhere in the home. In the past 20 years, however, a growing market for less expensive rattan and wicker furniture has developed. The furniture typically is used by individuals such as students and recent entrants to the workforce who seek to furnish their homes inexpensively. Furniture produced for this segment of the market is supplied mostly by Taiwan and is often imported directly by U.S. retailers.

In recent years there also has been an increase in demand for more expensive furniture made generally of wicker and rattan. Many of the major U.S. furniture manufacturers have added a line of rattan and/or wicker furniture to their collections. This furniture typically is used in such rooms as dens and living rooms. Unlike the lower end, this segment of the market consists of domestically produced items as well as imports.

There are only a few companies in the United States that actually manufacture furniture of unspun fibrous vegetable materials using raw, unfinished materials such as rattan poles. U.S. companies that manufacture this furniture include: Ficks-Reed, Cincinnati, Ohio; Classic Rattan, Lexington, Kentucky; Empire Rattan, Coral Gables, Florida; Bielecky Bros., New York, New York; and Clark Casual, Greensburg, Kentucky.

With the exception of Ficks-Reed, all of these producers are small producers that specialize in this type of furniture.

Classic Rattan, Empire Rattan, and Bielecky Bros. have indicated that the proposed legislation would have little impact on their operations. They noted that their furniture is at the high end, and is consequently not competitive with the low-end, promotional furniture that makes up the bulk of U.S. imports. The Ficks-Reed Company has indicated that the legislation would have a mixed impact on its operations. The company noted that on the one hand, it would make the company's imports less costly; on the other hand, it would increase the competitive pressure on its U.S. operations and potentially threaten the jobs of 25 to 30 employees. The Clark Casual Company has indicated that it is opposed to this legislation because it would not benefit from it as it makes furniture solely from rattan poles; most of its competitors, however, will benefit because the companies also import the unfinished parts. Although the representatives from these companies were generally neutral concerning the proposed legislation, they all noted that the industry had been affected considerably by imports over the past 5 years. Because of the rapid growth of imports, many other companies that produced less expensive furniture had been forced out of the market or had shifted from manufacturing to importing. The companies that continue to manufacture also have reduced their production capabilities and, with one exception, have shifted their efforts to importing. Industry sources estimate that U.S. production has declined between 50 and 80 percent.

The majority of U.S. furniture producers that include this type of furniture as a product line, either import the finished furniture or import parts of furniture and assemble and finish the pieces in the United States. Generally, those producers indicated that the legislation would either have no effect on their companies' operations or that it would have a positive effect. Many of the major manufacturers that produce mid to high end wood furniture also carry a line of rattan furniture. For the most part, the furniture is of a higher quality than that which is imported directly by U.S. retail chains. Thus, although the legislation will lower the cost of importing low-cost furniture from Taiwan, it is generally believed by industry sources contacted that the potential increase in the supply of low-cost imports will not seriously affect the demand for their products.

The suspension of duty would lower the costs associated with importing the more expensive rattan and wicker furniture also, to the extent that the furniture is supplied by countries not eligible for GSP. Various industry sources indicated, however, that it was unlikely that any duty savings would be passed on to the consumer in the form of lower prices. Although the higher priced rattan furniture may be considered a substitute for the mid to higher priced wood furniture, the lower priced, lower quality rattan and wicker furniture typically imported by U.S. retailers is not a substitute, according to industry sources. It is a substitute for other lower quality, less expensive furniture made out of wood or other materials. To the extent that much of this lower cost furniture is supplied by imports, the U.S. industry will not be affected by these imports.

U.S. shipments of reed and rattan furniture, including willow, wicker, and cane (SIC 25190 32) are as follows; $107,900,000 in 1983, $101,700,00 in 1984, $97,300,000 in 1985, $120,600,000 in 1986, and $121,000,000 in 1987.

U.S. production of this type of furniture that utilizes raw materials rather than imported unfinished parts has declined by 50-80 percent. The above data do not reflect this decline as it was not possible to determine what percentage of overall production was accounted for by the manufacturers that use raw rattan poles and similar raw materials.

Over the past five years, U.S. imports have increased 890 percent to $201 million in 1987. One of the major importers is

Pier 1 Imports of Ft. Worth, Texas. The company accounts for 18.6 percent of total U.S. imports of rattan furniture in 1987.

In 1987, the major suppliers to the United States were the Philippines, Taiwan, and the Peoples Republic of China (PRC). In 1987, these countries accounted for 39, 30, and 17 percent of total imports, respectively. Of these, all but the PRC are eligible for duty-free treatment under the GSP. Taiwan did lose its eligibility for duty-free treatment for the most significant category (TSUS 727.1100) in 1987. On January 1, 1988, two of the major suppliers, Taiwan and Hong Kong, lost eligibility for duty-free treatment under the GSP for all products.

The structure of the international market is predicted to change in the next few years. The Government of Indonesia is planning to place an embargo on all raw rattan and wicker products grown and/or processed in that country as of January 1, 1989. Around 80 percent of the raw materials that are used to produce furniture (outside of the Philippines) come from Indonesia. Reportedly, much of the raw materials used by the industry in Taiwan to produce this furniture comes from Indonesia. Thus, should the embargo be successful, the cost of production outside of Indonesia and the Philippines will increase significantly, until suppliers identify alternative sources.

U.S. imports of furniture made of unspun fibrous vegetable materials are, for GSP: $82,342,000 in 1983, $102,150,000 in 1984, $107,087,000 in 1985, $126,309,000 in 1986, $135,557,000 in 1987 and for the totals: $106,342,000 in 1983, $123,433,000 in 1984, $130,754,000 in 1985, $156,339,000 in 1986, and $200, 374,000 in 1987.

U.S. exports of furniture made of unspun fibrous vegetable materials are as follows: $2,374,000 in 1983, 1,759,000 in 1984, $2,356,000 in 1985, $1,878,000 in 1986, and $2,267,000 in 1987.

Apparent U.S. consumption is $211,868,000 in 1983, $223,374,000 in 1984, $225,698,000 in 1985, $275,061,000 in 1986, and $320,107,000 in 1987.

Comparison with Present Law

Tariff treatment under the TSUS.--Furniture of unspun fibrous vegetable materials is classifiable under 727.11, 727.13, and 727.14. The current column 1 rate of duty is 8.6 percent ad valorem. The column 2 rate of duty is 60 percent ad valorem. For 727.11, duty-free status is accorded to GSP countries, with the exception of Taiwan, and CBI countries. For 727.13 and 727.14, duty-free status is accorded to all GSP countries and CBI countries. The rate of duty for any of these items imported from Israel is 3 percent ad valorem as a result of the United States-Israel Free Trade Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--Under the HTS, furniture of unspun fibrous vegetable materials is currently classified as items 9401.50.00 (seats of cane, osier, bamboo or similar materials), 9401.90.25 (parts of seats of cane, osier, bamboo or similar materials), 9403.80.30 (furniture made of cane, osier, bamboo or similar materials), and 9403.90.25 (parts of furniture made of cane, osier, bamboo or similar materials). The column 1 rate of duty is 8.6 percent ad valorem. The column 2 rate of duty is 60 percent. Duty-free status is accorded to CBI countries and GSP countries (with the exception of Taiwan) for all of these items. Furniture of this type imported from Israel continues to receive the special duty rate of 3 percent.

Effects on Revenue

The effect of section 131 on U.S. revenue is as follows; for TSUS item 727.1100: $8,013,000 in 1988, $7,818,000 in 1989, $7,541,000 in 1990, $7,541,000 in 1991, and $7,541,000 in 1992; for TSUS item 727.1300: $18,000 in 1988, $23,000 in 1989, $23,000 in 1990, $23,000 in 1991, $23,000 in 1992; for TSUS item 727.1400: $569,000 in 1988, $976,000 in 1989, $941,000 in 1990, $941,000 in 1991, and 941,000 in 1992; the totals are: $8,600,000 in 1988, $8,817,000 in 1989, $8,505,000 in 1990, $8,505,000 in 1991, and $8,805,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 12, 1988.

The Department of Commerce submitted a no objection, if amended as suggested, report on July 6, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988.

WRITTEN COMMENTS RECEIVED
ON H.R. 4269

Supports:

Private sector

Artisan Imports, Ltd.
Asian Designs, Inc.
Brown Jordan
Cane and Reed Imports, Inc.
Cheung's Rattan and Imports
Grand Basket Co., Inc.
Hing, Inc.
New Trends Imports
Polar Island
Marvin L. Walker & Associates, Inc.
The Wicker Works

SECTION 132. CERTAIN BICYCLE PARTS
(Originally introduced as H.R. 4313
by Mr. McEwen)

Summary of Provision

Section 132 would provide a temporary column 1 duty suspension for certain bicycle parts (TSUS item 732.42, HTS item 8714.99.90) until December 31, 1992.

Section-by-Section Analysis

Section 132 would amend the Appendix to the Tariff Schedules of the United States to temporarily suspend the column 1 rate of duty on certain bicycle parts until December 31, 1992. Column 2 rates of duty would not change. It also enumerates the various parts of bicycles which would be included and the temporary schedule 9 TSUS number each article would have: Bicycle handlebar stems, wholly of aluminum alloy, valued at over $2.15 (TSUS 912.22) and bicycle handlebar stem rotor assemblies (TSUS 912.23). These bicycle components are included in the Foreign Trade Zones Act exception, prohibiting application of that Act to bicycle component parts unless those parts are re-exported, either as parts or components of finished bicycles.

Background and Justification

The purpose of this legislation is to maintain the international competitiveness of the U.S. industry manufacturing bicycles. These articles are not manufactured in commercial quantities in the United States. Temporary legislation on bicycle parts dates from 1971 and gives duty-free treatment to certain other bicycle parts not manufactured in commercial quantities in the United States. Domestic sources of supply for articles covered in this provision have been eliminated during the almost 2-year period that the omnibus trade bill has been pending.

The articles covered by this provision are generally expensive high quality parts mostly for more expensive bicycles. Such bicycles sell at retail price levels starting at about $300 and up to several thousand dollars. This range reflects the fact that the imported parts are available at varying quality grades and price levels.

An aluminum alloy bicycle handlebar stem is an L-shaped component (sometimes referred to as a gooseneck) used to attach the handlebars to the frame. The handlebars are attached to one end of the stem and the other end is inserted inside the frame head tube and extends into the steering tube extending from the top of the fork. Adjustment of a beveled stem-expander bolt allows raising and lowering of the handlebars.

There is no known U.S. producer of bicycle handlebar stem rotor assemblies. Wald Manufacturing Company, Inc., Maysville, Kentucky, does manufacture carbon steel bicycle handlebar stems, which it reported could be affected by duty-free treatment for certain imported articles in this provision. It does not manufacture the exact parts covered by this section, except for certain handlebar stems, of which, Wald stated, some imported aluminum alloy stems could compete with the carbon steel stems it produces. Wald has stated they would not oppose this legislation as written.

There is no known domestic production in commercial amounts of aluminum alloy bicycle handlebar stems and bicycle handlebar stem rotor assemblies covered by this section.

As these articles are classified in a basket category, official data are not available and industry sources could provide only partial estimates. However, one source believed that they probably constitute less than 5 percent of the market for bicycle parts. Another stated they might constitute more than 5 percent. All the producers who make bicycles for the higher priced better quality bicycle dealer market import these items. In addition, virtually all the bicycle wholesale distributors and many importers of bicycles import these articles for replacement parts. No industry source could provide certain estimates as to who the largest importers might be.

The Bicycle Manufacturers Association of American (BMA) provided the following estimates which do not include any imports by bicycle wholesale distributors and by any small importers. It believes four U.S. companies are the largest importers of the handlebar stems covered in this provision. These companies are Schwinn Bicycle Company, Chicago, Illinois; Raleigh Bicycle Company of America, Kent, Washington; Trek Bicycle Corporation, Waterloo, Wisconsin,; and Cannondale Corporation, Georgetown, Connecticut. In addition, in recent years Huffy Corporation, Dayton, Ohio, has been a large importer of aluminum alloy handlebar stems. Only two importers of the bicycle handlebar rotor assemblies are known and their names and the volume of imports are considered to be proprietary information by the association.

The following tabulation shows data on the partial estimates of U.S. imports of aluminum alloy bicycle handlebar stems for 1984-87 and a projection for 1988:

	1984	1985	1986	1987	1988
Quantity	117,000	127,000	165,000	278,000	388,000
Value	257,000	279,400	363,000	611,600	853,600

There are no known U.S. exports of these articles.

Complete data on apparent U.S. consumption of these articles are not available. However, estimated partial data based on information supplied by American Classic Equipment Company, Inc., and BMA are given below.

The apparent U.S. consumption of aluminum alloy bicycle handlebar stems equals at least the partial estimate of U.S. imports of such articles during 1984-87 provided by BMA:

	1984	1985	1986	1987
Quantity	117,000	127,000	165,000	278,000
Value	257,400	279,400	363,000	611,600

Comparison with Present Law

Tariff treatment under the TSUS.--Aluminum alloy bicycle handlebar stems and bicycle handlebar stem rotor assemblies are classifiable under TSUS item 732.42, a basket tariff provision. The current column 1 rate of duty for this item is 10 percent ad valorem. The column 2 rate of duty is 30 percent ad valorem. Articles entered under this item are not eligible for duty-free treatment under the GSP. Duty-free status is accorded to CBI countries under the CBERA. Articles from Israel can enter at 4 percent ad valorem under the U.S.-Israel Free Trade Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--Aluminum alloy bicycle handlebar stems and bicycle handlebar stem rotor assemblies are classifiable under HTS subheading 8714.99.90, a basket tariff provision. They have a 10 percent ad valorem general rate of duty, a special duty-free

rate for CBI countries, a special 4 percent ad valorem rate of duty for Israel, and a column 2 rate of 30 percent ad valorem.

Effects on Revenue

Based on the partial projected estimates of U.S. imports of these articles during 1988 the annual customs revenue losses resulting from this provision would be about $500,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 12, 1988.

The ITC submitted an informative report on July 18, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988.

WRITTEN COMMENTS RECEIVED
ON H.R. 4313

Supports:

Private Sector

Bicycle Manufacturers Association of America, Inc.

Bicycle Wholesale Distributors Association (BWDA)

Wald Manufacturing Company

SECTION 133. CERTAIN UNSTUFFED DOLLS
(Originally introduced as H.R. 1991
by Mr. Dreier)

Summary of Provision

Section 133 would temporarily suspend the column 1 rate of duty on certain unstuffed dolls and toy figures of animate objects (TSUS item 737.24 and 737.35, HTS item 9502.10.30 and 9503.49.00) until December 31, 1992.

Section-by-Section Analysis

Section 133 would amend the Appendix of the Tariff Schedules of the United States (TSUS) to add new item 912.32 to provide temporary duty-free entry under column 1 for imports of unstuffed dolls and toys of animate objects until December 31, 1992. Such dolls and toys are those capable of electro-mechanical movement of body parts activated by, and synchronized with, an internal cassette tape, or microprocessor; the dolls and toys are provided for in TSUS items 737.24 and 737.35. The column 2 rate would remain unchanged.

Background and Justification

Dolls as a product group consist of toys for children's use and dolls for collection and decoration. Toy dolls represent the most important category in this trade. Although dolls may be made from a wide variety of materials, most nonstuffed dolls are made of plastics. The dolls covered by the bill are a combination of the stuffed and plastic doll or toy. The torso is composed of a doll skin containing the tape cassette player, or microprocessor, partially surrounded by padding. The head is a plastic head containing the connectors and apparatus necessary to create the synchronized movement. The construction requires that the specific dolls and toys must be assembled with the appropriate electro-mechanical apparatus as a whole; the apparatus cannot be added to a substantially preassembled doll. Thus, production must generally be accomplished in one location, preventing the manufacturer from using multicountry sourcing of more than the most elementary doll components. Production is fairly labor intensive, requiring a significant percentage of hand assembly.

These electronic dolls are sold for use as toys for preadolescent children. These particular dolls are marketed and sold specifically to or for children. The dolls compete with other electronically augmented dolls. Although none of the other types of dolls have the capability of synchronous movement with a tape player, most demonstrate some sort of interactive electronics that achieve similar effects. In general, these dolls and toys are priced above those in the regular doll market and do not compete with standard dolls.

This legislation would eliminate a duty inequity arising from the differing classification and Generalized System of Preferences (GSP) status of dolls and toy animals. That is, imports of these dolls are not eligible for duty-free entry under the GSP, while those of competitive toy animals are. There is no domestic production of either type of toy.

There are no known U.S. producers of either the dolls or toys covered by the bill or other electro-mechanically augmented dolls of a similar nature. U.S. production of these dolls would be prohibitively costly; however, if the market for this type of doll or similar interactive dolls proves to be more than a fad, profitable U.S. production of competitive, although not identical, dolls using more advanced electronic technology is feasible and probably likely.

There is no known commercial production of the dolls covered by the bill or of similar competitive dolls.

There is only one U.S. importer of the subject dolls, therefore, import data cannot be published. There were no imports prior to 1986; all of these dolls are currently sourced from Hong Kong. The sole importer is Playmates Toys, Inc., of La Miranda, CA.

Although official data are not available, U.S. imports of all competitive electronic dolls and toy animals, including the dolls covered by the bill, amounted to an estimated $75 million to $150 million in 1986. The primary sources are Hong Kong, the Republic of Korea, China, and Taiwan. Imports were small prior to 1985; this is a new toy category, which at this p int is still growing in popularity.

There are no U.S. exports of any of the dolls discussed herein.

U.S. apparent consumption of the dolls covered by the legislation, supplied entirely by imports, cannot be disclosed due to reasons of confidentiality.

Comparison with Present Law

Tariff treatment under the TSUS.--These products are imported under TSUS item 737.24, dolls (with or without clothing) other than stuffed, with a column 1 rate of duty of 12 percent ad valorem and a column 2 rate of duty of 7 percent ad valorem, and under TSUS item 737.35, toy figures of animate objects (except dolls): Not having a spring mechanism: Not stuffed: Wholly or almost wholly of metal, with a column 1 rate of duty of 4.2 percent ad valorem and a column 2 rate of duty of 70 percent ad valorem. Imports of these products are not eligible for duty-free entry under the GSP, but imports from beneficiary countries are eligible for duty-free entry under the Caribbean Basin Recovery Act (CBERA). Imports from Israel enter free of duty pursuant to the U.S.-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--These dolls would be classified under the Harmonized Tariff System (HTS) heading 9502.10.30 as dolls other than stuffed dolls. Imports under this subheading are proposed to be dutiable at 12 percent ad valorem under column 1 and 70 percent ad valorem under column 2. HTS subheading 9502.10.30 corresponds exactly with TSUS item 737.24. Toys of annimate objects would be classified under HTS heading 9503.49.00 at a column 1 rate of duty of 4.2 percent ad valorem.

Effects on Revenue

The ITC estimates the enactment of this suspension would result in a loss of customs revenue of less than $10 million annually. The Department of Commerce estimates a loss of customs revenue of $8.3 million annually.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 15, 1987.

The ITC submitted an informative report on June 29, 1987.

The Department of Commerce submitted an adverse, if not amended, report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 1991

Supports:

Members of Congress

The Honorable David Dreier, M.C., California

The Honorable Fortney H. Stark, M.C., California

SECTION 134. CULTURED PEARLS
(Originally introduced as H.R. 2544
by Mr. DioGuardi)

Summary of Provision

Section 134 will provide a column 1 duty suspension on cultured pearls and parts thereof (TSUS item 741.06, HTS item 7101.21.00 and 7101.22.00) until December 31, 1992.

Section-by-Section Analysis

This provision would suspend the column 1 rate of duty on cultured pearls and parts thereof classified under item 741.06 of the Tariff Schedules of the United States (TSUS) until December 31, 1992. The column 2 rate of duty would be unchanged.

Section 134 would amend Subpart B of Part 1 of the Appendix to the TSUS by creating new item 912.40 which would provide duty-free treatment for cultured pearls and parts thereof classified in item 741.06, part 6B, schedule 7.

Background and Justification

Pearls are formed by an internal physiological reaction occurring when a foreign substance becomes embedded in the tissues of an oyster, or certain other mollusk, which can be found in either fresh or salt water. The irritant is coated with numerous concentric layers of a calcium carbonate compound, known as nacre, emitted by the mollusk. In time the foreign substance is completely covered with an iridescent nacre coating which gives the pearl its surface appearance.

The two types of pearls, natural and cultured, are differentiated by the source of the nucleus. The nucleus of a natural pearl becomes embedded as an accident of nature and is usually a grain of sand or parasite. Cultured pearls are the result of an artificial "seeding process developed in Japan in the late 1800's. The nucleus of a cultured pearl is generally a piece of shell which is ground into a desired shape and size. It is then surgically implanted into a mollusk along with a piece of mantle tissue from another living mollusk. The implanted mollusk then secretes nacre around the foreign nucleus forming the pearl. It takes approximately two to three years for a pearl to develop to a commercial size, about three millimeters in diameter. Cultured pearls are formed in a variety of shapes, sizes, and colors, depending on the type of mollusk, nuclei, location and climate of the pearl farm, and characteristics of the water on the farm.

The appearance, and value, of cultured pearls from fresh and salt water differs. Freshwater cultured pearls, reportedly constituting less than 10 percent of U.S. imports, are generally lower-priced and most often look like rice seeds. Saltwater cultured pearls are generally higher-priced and take the shape of the implanted nucleus. There is no nucleus in freshwater cultured pearls. Freshwater mollusks secrete nacre around only the mantle tissue because they reject a foreign nucleus. Fresh water cultured pearls in non-rice shapes are not commercially available.

The modern pearl industry is based almost entirely on cultured pearls because they are mass-produced at thousands of farms in tropical and subtropical regions throughout the world. These mass-production techniques significantly lower production costs and stabilize supply.

Cultured pearls are used as decorative items, primarily in jewelry and articles of personal adornment. The most popular cultured pearls are those grown in saltwater. They are usually strung as a necklace or set into a mounting for rings, pendants, brooches, similar articles. In some countries, pearls have been ground and used for medicinal purposes; however, this practice is very limited. Differences between natural and cultured pearls are generally very subtle and can only be found by experts. It is reportedly difficult to differentiate a good cultured pearl from a natural pearl without X-ray techniques. It is similarly difficult to distinguish between pearls cultured domestically and those imported.

According to a statement by the sponsor of the Senate counterpart bill, "cultured pearls are not produced in the United States, and thus this duty is not necessary to protect a domestic industry. Indeed, continuation of the duty is causing additional expenses for domestic industries, specifically the jewelry manufacturers, which use cultured pearls. The jewelry manufacturing industry accounts for over 75 percent of the imports of cultured pearls." He further states, "the duty suspension . . . is warranted because there are no U.S. firms producing cultured pearls, and there are domestic industries which face increased costs as a result of the duty. Industries which are dependent upon imports are already facing higher costs as a result of the devaluation of the dollar. We do not need to continue unnecessary duties which add to their expenses."

Commercial production of cultured pearls in the United States is in its infancy. The complex technology involved in producing cultured pearls was brought to this country approximately 30 years ago. After testing various species of mollusks to determine which were suitable for producing commercial grade pearls, the first full scale operation began about ten years ago in the waters of Western Tennessee. Today, there are reportedly between 5 and 10 firms experimenting with the culturing process; however, only one of these, The American Pearl Company, Camden, TN, has reportedly been successful in harvesting commercial-grade freshwater domestically-cultured pearls.

In addition, in the past three years, a sister-company, American Pearl Creations has reportedly used some of these in certain jewelry articles. Freshwater mollusks in the United States can produce any shape of cultured pearls that Japan can offer from either fresh or salt water. This company plans to begin selling American cultured pearls to the Jewelry manufacturers in the Fall of 1987.

Domestic employment data are unavailable.

Data concerning the domestic production of cultured pearls are not available. U.S. imports of cultured pearls and parts thereof during 1982-86 were valued at: $93,936,000 in 1982, $162,833,000 in 1983, $240,439,000 in 1984, $228,004,000 in 1985, and $190,497,000 in 1986.

U.S. imports of cultured pearls rose 156 percent from $94 million in 1982 to $240 million in 1984, and then declined by 21 percent to $190 million in 1986. Overall, imports rose by 103 percent or 19 percent per year. The principal sources of such imports in 1986 were Japan, $160.9 million, or 2 percent; and Australia, $3.3 million, or 2 percent. Three percent of total cultured pearl imports in 1986 entered free of duty under either the GSP or the U.S.-Israel Free Trade Area Agreement. Data concerning the five largest importers are business confidential.

There are no U.S. exports of cultured pearls.

Data on apparent U.S. consumption of cultured pearls are not available; however, it is believed that imports supply virtually all of the cultured pearls consumed in the U.S. market. Therefore, trends in imports can be expected to depict trends in consumption.

Comparison with Present Law

Tariff treatment under the TSUS.--The current tariff treatment, for TSUS 741.06 is 2.1% ad valorem in column 1 and 10% in column 2. Cultured pearls classified in TSUS item 741.06 are currently eligible for duty-free treatment under the GSP. Similarly, imports of such pearls from beneficiary countries are eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA). Imports of cultured pearls from Israel are eligible to enter free of duty pursuant to the U.S.-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the Harmonized System (HTS)--A concordance between the current TSUS item and draft HTS items is shown by the fact that both are 2.1% ad valorem. It should be noted that the column 1 rates of duty applied to imports of these goods under HTS items 71-1.21.00 and 7101.22.00 are the same as those currently applied under the TSUS.

Effects on Revenue

Based on the total value of the U.S. imports in 1986, the estimated annual customs revenue loss would be $4 million.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on July 8, 1987.

The ITC submitted an informative report on September 14, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#12) dated October 23, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2544

Supports:

Private Sector

Manufacturing Jewelers and Silversmiths of America, Inc. and Cultured Pearl Association: "The duty suspension is warranted but there are no U.S. firms engaged in the commercial production of the cultured pearls, and there are domestic industries which face increased costs as a result of the duty. Industries which are dependent upon imports are already facing higher costs as a result in the devaluation of the dollar. The United States does not need to continue unnecessary duties which add to their expenses."

SUBTITLE B - EXTENSION OF EXISTING SUSPENSIONS OF DUTY AND DUTY REDUCTIONS

SECTION 141. EXTENSION OF CERTAIN EXISTING SUSPENSIONS OF DUTY AND DUTY REDUCTIONS

SECTION 141(1). FRESH, CHILLED OR FROZEN BRUSSEL SPROUTS
(Originally introduced as H.R. 3139
by Mr. Crane)

Summary of Provision

Section 141(1) would temporarily reduce the column 1 rate of duty on fresh, chilled or frozen brussel sprouts (TSUS item 903.29 and HTS items 0704.20.00 and 0710.80.7020) until December 31, 1992, retroactive to December 31, 1987. The column 2 rate of duty remains unchanged.

Section-by-Section Analysis

Section 141(1) would amend the Tariff Schedules of the United States (TSUS) to extend the expired temporary duty reduction on certain brussel sprouts. The legislation amends item 903.29, in subpart B, part 1 of the Appendix to the TSUS, by striking out December 31, 1987, in the effective period column and inserting December 31, 1992, in lieu thereof.

Background and Justification

Brussel sprouts are the small heads of the brussel sprout plant (Brassica oleracea gemmifera), a cool-season, biennial variety of cabbage in which many tiny heads form along the stem at the base of leaves, rather than one large head formed at the top of a short stem.

In recent years, increasing amounts of brussel sprouts have gone to processing, mainly freezing; brussel sprouts are very perishable and must be refrigerated or processed immediately after harvesting.

Brussel sprouts are used primarily in some processed form, including boiled, baked, or steamed, often as a side dish with meats; they are also served in soups, casseroles, and sauces. Brussel sprouts are considered a very nutritious cooked vegetable, low in calories, high in fiber, and rich in vitamins and minerals.

Domestic production continues to decline, forcing the importation of brussel sprouts. Extending this duty suspension will provide the opportunity to maintain a reasonable price for this commodity.

Most of the brussel sprouts for fresh market and processing are grown in Central California, especially the Monterey and Santa Cruz-San Mateo coastal areas; limited production also takes place in New York, Michigan, and Minnesota and other States. In recent years, an estimated 85 growers harvested about 5,000 acres; the number of farms in brussel sprouts production has declined in recent years, but the planted acreage on the remaining farms has remained about the same. The amount of land devoted to brussel sprouts on these farms is generally large, averaging about 100 acres.

During 1982-86, domestic production of brussel sprouts fell irregularly from an estimated 61.8 million pounds, valued at $13.8 million, in 1982 to 53.7 million pounds, valued at $11.1 million, in 1986. In recent years, virtually all domestic

production of brussel sprouts for fresh market and processing was in California. Most of this production is during September-February.

U.S. imports of fresh, chilled, or frozen brussel sprouts (TSUS item 137.71) rose 30 percent from 11.8 million pounds, valued at $3.1 million, in 1982 to 15.3 million pounds, valued at $3.1 million, in 1986; the volume of imports was up 46 percent during January-August 1987 as compared with the corresponding period of 1986 (table 2). Fresh or chilled brussel sprouts accounted for about two-thirds of the total; the remainder consisted of the frozen vegetable. Mexico is historically the leading foreign supplier of brussel sprouts, accounting for over 74 percent (by quantity) of the imports during 1982-86. Mexico supplies virtually all of the fresh or chilled brussel sprouts imports. Imports of frozen brussel sprouts, especially from Guatemala, have risen in recent years; Guatemala accounted for 46 percent (by quantity) or total frozen brussel sprouts imports in 1986.

During 1982-86, annual U.S. consumption of brussel sprouts trended upward from 68.7 million pounds in 1982 to 87.1 million pounds in 1985, before falling to 67.2 million in 1986. Brussel sprouts are a relatively minor vegetable in the American diet. The ratio of imports to consumption rose from 17 percent in 1982 to 23 percent in 1986, reflecting both the drop in domestic output and the increase in imports.

Tariff treatment under the TSUS. Fresh, chilled, or frozen (but not reduced in size nor otherwise prepared or preserved) brussel sprouts are provided for in item 137.71. The column 1 rate of duty for item 137.71 is 25 percent ad valorem, and the column 2 rate is 50 percent. Item 903.29, which expired on December 31, 1987, provided for a temporary column 1 duty reduction for brussel sprouts to 12.5 percent ad valorem. The column 1 rate was not reduced as a result of the Tokyo Round of Multilateral Trade Negotiations. Imports of the subject product may qualify for duty-free entry under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), or the U.S.-Israel Free Trade Area Implementation Act of 1985, as indicated in the special column in the TSUS. However, imports from Mexico under TSUS item 137.71 are not eligible for the GSP.

Tariff treatment under the Harmonized Tariff System (HTS). Under the HTS, fresh chilled, or frozen brussel sprouts would be covered by the subheadings and duties at the column 1 and column 2 duty rates shown in the tabulation below.

HS commodity code No.	Index	Article description (abridged)	Rates of duty Col. 1	Col. 2
0704		Cabbage, cauliflower, kohlrabik kale and similar edible brassicas, fresh or chilled:		
0704.20.00		Brussels sprouts	25% ad val	50% ad val
0710		Vegetables (uncooked or cooked by steaming or boiling in water), frozen:		
0710.80.70		Other, not reduced in size:		
0710.80.70	20	Brussel sprouts	25% ad val	50% ad val

Effects on Revenue

Since the rates of duty applicable to imports of brussel sprouts are ad valorem rates, the amount of duty collected, as well as the amount of potential revenue loss, depends upon the value of the imported product. The column 1 rate of imports of fresh, chilled, or frozen brussel sprouts was temporarily reduced from 1985 to the present. No additional loss of revenue on imports of fresh, chilled, or frozen brussels sprouts under TSUS item 137.71 would occur with an extension of the existing duty reduction, as called for in the bill. Based on the dutiable value of imports of 1986 (which does not include GSP imports), the estimated loss under the existing duty reduction amounted to $375,000. If GSP had not been in effect and all imports had been dutiable, the estimated loss would have been about $424,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on July 8, 1987.

The ITC submitted an informative report on September 14, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#12) dated October 22, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 3139

Supports:

Private Sector

Viking International, Inc.: "Domestic production of brussel sprouts continues to decline and we have found that importing this item helps supplement the U.S. production."

SECTION 141(2). TRICHLORO SALICYLIC ACID
(Originally introduced as H.R. 2412
by Mr. Miller of Ohio)

Summary of Provision

Section 141(2) would suspend the column 1 rate of duty on 3,5,6-trichlorosalicylic acid (TSUS 404.46, HTS 2918.90.45) through December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(2) would amend item 906.30 of the Appendix to the Tariff Schedules of the United States (TSUS) to extend the existing suspension of the column 1 rate of duty for imports of 3,5,6-trichlorosalicylic acid (CAS 40932-60-3-also commonly known trichlorosalicylic acid classified in item 404.46 of the TSUS. The Appendix to the TSUS would be amended by striking out the current expiration date of "12/31/87" and inserting the date "12/31/92" in lieu thereof. The column 2 rate of duty would remain unchanged.

Background and Justification

The chemical 3,5,6-trichlorosalicylic acid is a benzenoid intermediate chemical derived from petroleum products. The subject chemical is used by at least one domestic chemical firm in the production of certain proprietary chemiluminescent products, and by other chemical firms as an intermediate in the production of medicinal chemicals.

The purpose of this bill is reduce the cost of the ultimate products to U.S. consumers and enhance the competitveness of U.S. exports.

There was no production of 3,5,6-trichlorosalicylic reported to the I.T.C. during 1981-86. Imports have been the only source for this chemical since the 1970's.

Separate statistics for imports of 3,5,6-trichlorosalicylic acid are not available as the chemical is classified under a residual (basket) TSUS item. Imports of this chemical increased from a value of about $213,000 during 1981, to around $560,000 during 1986. The principal source for these imports was the United Kingdom. The total value of such imports is predicted to increase from approximately $590,000 to around $650,000 by 1992.

U.S. export data for the subject chemical are not available as this chemical is classified in a residual (basket) Schedule B provision. However, during 1981-86 exports of this product were negligible or non-existent.

Data for domestic consumption of the subject chemical are not available; however, domestic consumption was apparently the same as imports during 1981-86.

Comparison with Present Law

Tariff treatment under the TSUS.-- The chemical, 3,5,6-trichlorosalicylic acid, is currently classified in item 404.46 (Carboxylic acids with alcohol, phenol, aldehyde, or ketone function and other single or complex oxygen-function carboxylic acids and their anjydrides, halides, peroxides, and peracids, and their halogenated, sulfonated, nitrated, or nitrosated derivatives: Other: Products provided for in the Chemical Appendix to the Tariff Schedules) with a column 1 rate of duty of 1.7 cents per pound plus 57 percent ad valorem. The chemical is not currently eligible for duty-free treatment under the General System of Preference (GSP); however, it is eligible for duty-free

treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Israel Free Trade Area Implementation Act of 1985, as indicated in the "Special" rates of duty column.

Tariff treatment under the proposed Harmonized Tariff System (HTS). The HTS commodity code number for 3,5,6-trichlorosalicylic acid is 2918.90.45. The column 1 rate of duty upon implementation of the HTS will be 3.7 cents per kilogram plus 17.9 percent ad valorem.

Effects on Revenue

Based on the estimated value of future imports the following are the expected annual revenue losses during 1988-92: $106,000 in 1988 (based on January 1, 1988 enactment), $111,000 in 1989, $117,000 in 1990, $117,000 in 1991, and $117,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on August 18, 1987.

The Department of Commerce submitted a no objection report on April 19, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 141(3). M-AMINOPHENOL
(Originally introduced as H.R. 2388
by Mr. Roe)

Summary of Provision

Section 141(3) would suspend the column 1 rate of duty on m-Aminophenol (TSUS item 404.92, HTS item 2922.29.10) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(3) would temporarily suspend the column 1 rate of duty for imports of m-Aminophenol, classified in TSUS item 404.92, until December 31, 1992, retroactive to December 31, 1987. The tariff item (906.32) would be amended by striking out the current expiration date of "12/31/87" and inserting the date "12/31/92" in lieu thereof. The column 2 rate of duty would remain unchanged.

Background and Justification

The chemical, m-Aminophenol (also known as 3-aminophenol), is a white, crystalline material produced from phenol. This chemical is used in the production of certain dyes and pigments by at least two domestic chemical firms.

The purpose of this legislation is to reduce the cost of this product to U.S. consumers.

There was no domestic production of m-Aminophenol reported to the U.S. International Trade Commission (ITC) during 1981-1986.

ITC records indicate that during 1981-1983, U.S. imports of this chemical increased from 486,324 pounds to 603,897 pounds. The value and source of these imports were not available. Separate statistics for imports of m-Aminophenol during 1984-1986 are not available, because the chemical is classified in a residual (basket) TSUS item. Imports increased from a value of $1.9 million during 1984, to an estimated value of $2.4 million during 1986. The principal source of these imports was reported to be Italy. Imports of this product are predicted to grow at an annual rate of 3 percent during 1988-1990.

U.S. export data for the subject chemical are not available, because this chemical is classified in a residual (basket) Schedule B provision. However, industry sources indicated that during 1981-1986 exports of this product were negligible or non-existent.

Data for domestic consumption of this chemical are not available; however, domestic consumption was essentially the same as imports during 1981-1986.

Comparison with Present Law

Tariff treatment under the TSUS: The subject chemical is currently classified in item 404.92 (covering amines having one or more oxygen functions, and their derivatives) with a column 1 rate of duty of 5.8 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 39 percent ad valorem. The chemical is not currently eligible for duty-free treatment under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA) and the U.S.-Israel Free Trade Area Implementation Act of 1985, as indicated in the "Special" rates of duty column.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS): The HTS subheading covering m-Aminophenol is 2922.29.10 (providing for nonenumerated oxygen-function amino-naphthols and other amino-phenols, their ethers and esters, other

than those containing more than one kind of oxygen function). The column 1 rate of duty proposed to be effective upon implementation of the HTS is 5.8 percent ad valorem.

Effect on Revenue

The following are expected customs revenue losses for the period from 1988 through 1992: 1988 - $149,000; 1989 - $154,000; 1990 - $158,000; 1991 - $158,000; and 1992 - $158,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on July 23, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 141(4). P-ACETAMIDOBENZENESULFONYL CHLORIDE
(Originally introduced as H.R. 3306)
by Ms. Schneider)

Summary of Provision

Section 141(4) would extend the expired column 1 and 2 duty suspension for a p-acetamidobenzenesulfonyl chloride (TSUS item 405.31, HTS 2924.29.13) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(4) would amend temporary item 906.38 of the Appendix to the Tariff Schedules of the United States (TSUS) to extend the existing suspension of both the column 1 and column 2 rates of duty for imports of N-acetamidobenzene-sulfonyl chloride (also called N-acetylsulfanilyl chloride), classified in TSUS item 405.31. The temporary TSUS item would be amended by striking out the current expiration date, "12/31/87", and inserting the date "12/31/92" in lieu thereof.

Background and Justification

P-acetamidobenzenesulfonyl chloride (also known as N-acetylsulfanilyl chloride or ASC) is a crystalline material, usually light tan in color, made by sulfonating the chemical acetanilide. ASC is used as an intermediate in the preparation of several pharmaceuticals.

The purpose of this bill is to reduce the cost of this imported drug for U.S. consumers.

No domestic production of the subject chemical was reported to the I.T.C. during 1982-86. However, Salsbury Laboratories, a domestic chemical producer, manufactures ASC as a transient intermediate in the production of a particular pharmaceutical.

Imports of ASC ranged from $1.1-5.1 million during 1983-86. The principal sources of these imports were Japan and Korea. During January-June 1987, imports of ASC were valued at $854,000. Korea and Japan remained the principal sources for this chemical. Imports of ASC are expected to increase by around 2-3 percent each year over the period 1988-92.

U.S. export data for the subject chemical are not separately available, as this chemical is classified in a residual (basket) Schedule B provision. However, during 1982-86, exports of this product were negligible or nonexistent.

Data on domestic consumption of this chemical are not available, as publication of such information would reveal confidential business information.

Comparison with Present Law

Tariff treatment under the TSUS.-- The subject chemical is currently classified in TSUS item 405.31 (as eo nomine provision in the general category covering amides and their derivatives), with a column 1 rate of duty of 1.7 cents per pound plus 18.1 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 58 percent ad valorem. The chemical is presently eligible for duty-free entry under both the generalized system of Preferences (GSP) and the Caribbean Basin Economic Recovery Act (CBERA). Imports of this product from Israel are currently dutiable at a rate of 0.7 cents per pound plus 7.2 percent ad valorem. However, under the provisions of the United States-Israel Free Trade Area Implementation Act of 1985, imports of the subject chemical from Israel will enter free of duty as of January 1, 1989. Previously, as a result of the Trade Agreements

Act of 1979, this chemical was classified in TSUS item 405.32 (a residual provision for certain products provided for in the Chemical Appendix to the Tariff Schedules) with a column 1 rate of duty identical to the present rate. The current tariff item in schedule 4 was established as of April 8, 1983, in order to afford benefits of the GSP to the subject chemical.

Tariff treatment under the proposed Harmonized System (HTS).--The HTS subheading covering ASC is 2924.29.13 (an eo nomine provision under the broader category of aromatic cyclic amides and their derivatives). The proposed column 1 rate of duty upon implementation of the HTS is 3.7 cents per kilogram plus 18.1 percent ad valorem.

Effect on Revenue

Based on the import history the following are the expected annual customs revenue losses during 1988-92: $590,000 in 1988, $608,000 in 1989, $626,000 in 1990, $626,000 in 1991, and $626,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on October 19, 1987.

The ITC submitted an informative report on December 3, 1987.

The Department of Commerce submitted a no objection report on June 20, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release #12 dated October 23, 1987. No comments were received.

SECTION 141(5). CARBOXYLIC ACID DISOLVATE
(Originally introduced as H.R. 1768
by Mr. Jacobs)

Summary of Provision

Section 141(5) would temporarily suspend the column 1 rate of duty of a certain chemical intermediate (TSUS item 406.42, HTS item 2934.90.40) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(5) would amend item 906.51 of the Tariff Schedules of the United States (TSUS) to extend the expired suspension of the column 1 rate of duty for import of (6R,7R)-7-[(R)-2-amino-2-phenylacetamido]-3-methyl-8-oxo-5-thia-1-azabicyclo[4.2.0]oct-2-ene-2-carboxylic acid disolvate provided for in TSUS item 406.42 until December 31, 1992, retroactive to December 31, 1987. This would be accomplished by striking "12/31/87" in the effective date column and inserting "12/31/92" in lieu thereof. The column 2 rate of duty would remain unchanged.

Background and Justification

The chemical is a synthetic organic chemical that is manufactured from penicillin V in a series of seven complex chemical steps. It is then used as an intermediate chemical in the manufacture of an antibiotic, cephalexin monohydrate.

The purpose of the bill is to extend the duty suspension of this chemical intermediate to allow U.S. manufacturers to be more competitive.

During 1982-86, ITC records indicate no domestic production of this chemical since 1983, at which time Eli Lilly was the sole producer. The chemical is used in the production of cephalexin monohydrate, a broad spectrum antibiotic, which, until recently, was under patent protection by Eli Lilly. Generic production of the antibiotic is currently possible because of the expiration of certain patents, but ITC records indicate that, in 1985, Eli Lilly was still the sole producer of the antibiotic. Cephalexin monohydrate is competitive with many of the other cephalosporins and antibiotics that are produced by Eli Lilly and other companies. Many of the antibiotics can be prescribed interchangeably, depending on the condition being treated and the patient's sensitivity to a particular product. There is no substitute for the intermediate chemical in the production of cephalexin monohydrate, nor is there any alternate major use for the chemical.

As the chemical is classified is a residual (basket) TSUS item, the quantity or value of imports are not available. The average amount of imports during 1982-86 was estimated to be less than 400,000 pounds per year. These imports were from the United Kingdom.

U.S. export date for this chemical are not available as this chemical is classified in a residual (basket) Schedule B number. There are no apparant U.S. exports of this chemical. Only the finished product, the antibiotic, is exported.

Data for domestic consumption are not available; however, because of the lack of domestic production, consumption of this chemical is the same as U.S. imports of this chemical.

Comparison with Present Law

Tariff treatment under the TSUS.--This chemical is presently classified under item 406.62. The duty rate for column 1 countries is 13.5 percent ad valorem. The column 2 duty rate is 7 cents per pound plus 52 percent ad valorem. The product is not eligible for duty-free treatment under the Generalized System of Preferences; however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA), and under the U.S.-Israel Free Trade Area Implementation Act of 1985 as indicated in the "Special" column.

Tariff treatment under the proposed Harmonized System (HTS).--The HTS commodity code number for this chemical is 2934.90.40, "Other aromatic heterocyclic chemicals, as described in additional U.S. note 3 to section VI. The column 1 rate of duty upon implementation of the HTS will be 13.5 percent ad valorem.

Effects on Revenue

Based on estimates of future imports average annual revenue losses during 1988-92 are expected to be valued at less than $4.5 million. These losses are expected to decrease during the next three years as a result of increased foreign and domestic competition as a result of the expiration of the patent. There is currently no domestic competition. Approximately 99 percent of the customs revenues would be refunded to a U.S. company because of the drawback provisions currently in effect. As such, the actual revenue losses incurred during 1988-92 would be considerably lower in view of the drawback provisions.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 15, 1987.

The ITC submitted an informative report on June 23, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 141(6). DICYCLOMINE HYDROCHLORIDE, MEPENZOLATE BROMIDE
SECTION 141(7). DESIPRAMINE HYDROCHLORIDE
SECTION 141(8). RIFAMPIN
SECTION 141(17). TERFENADINE
SECTION 141(18). CLOMINPHENE CITRATE
SECTION 141(24). LACTULOSE
(Originally introduced as H.R. 2389
by Mr. Schuette)

Summary of Provision

Sections 141(6), 141(7), 141(8), 141(17), 141(18), and 141(24) would provide a continuation of the column 1 duty suspensions for dicyclomine hydrochloride, mepenzolate bromide, desipramine hydrochloride, rifampin, terfenadine, clominphene citrate and lactulose (TSUS items 412.02, 412.35, 437.32, 411.58, 412.50, 439.50; HTS items 2922.49.20, 2933.39.35, 2925.20.20, 2941.20.00, 2933.39.35, 2921.19.10, 2940.00.00) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

These sections would amend items 906.53, 906.54, 906.99, 907.25, 907.42, and 907.76 of the Appendix to the Tariff Schedules of the United States (TSUS) to extend the expired suspensions of the column 1 rates of duty for imports of dicyciomine hydrochloride, mepenzolate bromide, desipramine hydrochloride, rifampin, terfenadine, clominphene citrate and lactulose provided for in TSUS items 412.02, 412.35, 437.32, 411.58, 412.50, and 439.50 until December 31, 1992, retroactive to December 31, 1987. This would be accomplished by striking out "12/31/87" in the effective date column and inserting the date, "12/31/92," in lieu thereof. The column 2 rate of duty would remain unchanged.

Background and Justification

Each of these products is used as a drug. Dicyclomine hydrochloride occurs as a white odorless, crystalline powder. It is an autonomic drug that acts as an anticholinergic agent. It is used in the symptomatic treatment of disorders of the gastrointestinal tract, such as spastic colitis, ulcerative colitis, diverticulitis, and (in the past) peptic ulcer.

Mepenzolate bromide occurs as a white crystalline powder. It is an autonomic drug that inhibits the motility of the gastrointestinal and urinary tracts and diminishes the volume of perspiration, saliva, and gastric and pancreatic secretions. Mepenzolate bromide is used in the management of the diseases of the colon associated with inflammation, hypermobility, and spasm.

Despramine hydrochloride occurs as a white to off-white crystalline powder. It is a derivative of dibenzazepine and is classified as a tricyclic antidepressant. Tricyclic antidepressants are used primarily in the treatment of endogamous depression.

Rifampin occurs as a reddish-brown crystalline powder. It is a semisynthetic derivative of rifamycin B, an antibiotic derived from the bacterial organism streptomyces mediterranei. Rifampin is a broad-spectrum antibiotic effective against many bacteria. In the United States, rifampin is used in combination with at least one other antituberculosis agent in the treatment of tuberculosis. Rifampin is also used in the treatment of other microbiological diseases.

Terfenadine occurs as a white to off-white crystalline powder. It is a butyrophenone-derivative antihistamine and is structurally unrelated to other currently available antihistamines. Terfenadine is used to provide symptomatic relief of

seasonal allergic rhinitis. It displays a lower incidence of central nervous system effects, such as sedation, than most other antihistamines.

Clomiphene citrate occurs as a white-to-pale yellow, crystalline powder. It has both estrogenic and anti-estrogenic properties. The drug is used to induce ovulation in an ovulary women. In addition, clomiphene citrate is used in small doses as a gonad stimulating agent in therapy for male infertility.

Lactulose is generally available as a liquid and it is the active ingredient used in the manufacture of ethical pharmaceutical products sold by Merrell Dow under the Trade names Cephulac and Chronulac. These products are laxatives.

The purpose of this bill is to reduce the costs of these products to U.S. consumers.

ITC records indicate no significant domestic production of these chemicals during 1982-85. However, lactulose was last produced domestically, in small quantities, in 1982. One firm still has domestic capacity for the product. Terfenadine has been produced domestically since 1985, the year in which it received Food and Drug Administration (FDA) approval. Terfenadine is currently under patent protection by Merrell Dow until April 1994.

The patent on desipramine hydrochloride, also held by Merrell Dow, expired during 1985. This could result in generic competition during the next few years, either in the form of increased imports and/or increased domestic production.

U.S. import data for these products are unavailable, since they are classified in residual (basket) categories of the TSUS. However, several domestic firms import and distribute many of these products and estimates of these imports appear below.

Dicyclomine hydrochloride is currently imported/distributed by at least four companies. The imports are primarily from France and Italy. Less than an average of 11,000 pounds of this produce were imported annually during 1982-85.

At least two companies currently import desipramine hydrochloride. A third company is interested in importing the product in the future. Imports of this product amounted to less than an average 400,000 pounds annually during 1982-85. France and Italy are the primary sources of this product.

Clomiphene citrate is imported primarily from France and Italy. At least two domestic companies import the product. Average annual imports during 1982-86 amounted to less than 1,000 pounds.

Lactulose is imported/distributed by approximately four domestic firms. During 1982-86, average annual imports amounted to less than 4 million pounds, primarily from the Netherlands. Imports of this product from Switzerland are a future possibility.

Imports of rifampin are primarily available from Italy, with some imported from China. Use of this product by veterinarians is currently under review by the FDA. As such, U.S. imports of this product are presently primarily for human consumption. At least two domestic firms import this product. Average annual imports during 1982-86 amounted to less than 30,000 pounds.

Mepenzolate bromide is imported by at least one firm. Imports of this product, primarily from France, amounted to less than an average 700 pounds per year.

Terfenadine is imported by one domestic firm. These imports are from France. There were no imports of this product in 1982-83 and 1986. In 1984 and 1985, imports amounted to less than 3,000 pounds annually.

Official U.S. export data for these products are not available since these drugs are classified in a residual (basket) Schedule B provision. However, apparent exports of these products during 1982-86 were negligible or none.

Data on apparent domestic consumption of these products are not available. However, in the case of the chemicals for which there was no U.S. production, U.S. consumption equals U.S. imports of these products. The domestic consumption for desipramine hydrochloride and clomiphene citrate in 1985 were valued at $25 million and $13 million, respectively. Terfenadine has become the leading or second-place antihistamine in all countries in which it has been introduced. In 1985, the domestic antihistamine market was valued at $200 million per year.

Comparison with Present Law

Tariff treatment under the TSUS.--Item 412.02, Dicyclomine Hydrocloride and Mepenzolate Bromide have a column 1 duty date of 8.2% ad valorem and a column 2 rate of 7 cents per pound plus 71.5% ad valorem. Item 412.35, Desipramine Hydrocloride, has a column 1 rate of duty of 19.4% ad valorem and a column 2 rate of duty of 7 cents per pound plus 149.5% ad valorem. Item 437.32, rifampin, has a column 1 rate of duty of 3.7% ad valorem and a column 2 rate of duty of 25% ad valorem. Item 411.58, terfenadine, has a column 1 rate of duty of 9.2% ad valorem and a column 2 rate of duty of 7 cents per pound plus 82% ad valorem. Item 412.50, clominphene citrate, has a column 1 rate of duty of 8.7% ad valorem and a column 2 rate of duty of 7 cents per pound plus 78.5% ad valorem. Item 439.50, lactose, has a column 1 rate of duty of 3.7 ad valorem and a column 2 rate of duty of 25% ad valorem.

Tariff treatment under the proposed Harmonized System (HTS).--Item 2922.49.20, Dicyclomine Hydrochloride, has a column 1 duty rate of 7% ad valorem; item 2933.39.35, menenzolate bromide has a column 1 rate of duty of 8% ad valorem; item 2925.20.20, Desipramine Hydrochloride, has a column 1 rate of duty of 8.1% ad valorem; item 2941.20.00, rifampin, has a column 1 rate of duty of 3.7% ad valorem, item 2933.39.35, terfenadine, has a column 1 rate of duty of 8% ad valorem; item 2921.19.10, clomiphene citrate, has a column 1 rate of duty of 3.7% ad valorem; and item 2940.00.00, lactulose, has a column 1 rate of duty of 5.8% ad valorem.

Effects on Revenue

The following are the expected average annual customs revenue losses during 1988-92; $60,000 for dicyclomine hydrochloride; $30,000 for Mepenzdak Bromide; $4,160,000 for Desipramine hydrochloride; $922,000 for rifampin; $1,000,00 for terfenadine; $29,000 for clominphene citrate; and $300,000 for lactulose.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on January 26, 1988.

The Department of Commerce submitted a no objection report on April 14, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2389

Supports:

Private Sector

Merrell-Dow Pharmaceuticals Inc.: "The need to renew and continue the duty suspension is vital to ensure Merrell-Dow's continued competitiveness."

SECTION 141(9). P-HYDROXYBENZOIC ACID
(Originally introduced as H.R. 2437
by Mr. Barnard)

Summary of Provision

Section 141(9) would provide a column 1 duty suspension for p-Hydroxybenzoic acid (TSUS item 404.42, HTS item 2918.29.22) until December 31, 1992, retroactive to September 30, 1985.

Section-by-Section Analysis

Section 141(9) would temporarily suspend the column 1 rate of duty for p-Hydroxybenzoic acid, classified in item 404.42 of the Tariff Schedules of the United States (TSUS), until December 31, 1992, retroactive to September 30, 1985. The provision would amend item 907.00 of the Appendix to the TSUS by striking out "9/30/85" and inserting the date "12/31/92" in lieu thereof. The column 2 rate of duty would remain unchanged.

Background and Justification

The chemical, p-Hydroxybenzoic acid (PHBA), is nontoxic and synthetically produced from a derivative of crude petroleum. It is used primarily to produce a number of different esters (e.g., methyl, ethyl, propyl, and butyl p-hydroxybenzoates) known as "parabens." The "parabens" are used as an antimicrobial agent for cosmetics, food, and pharmaceuticals. They are nontoxic and approved by the Food and Drug Administration.

Other uses for PHBA are as a monomer in the synthesis of plastics, fibers, and synthetic adhesives; and as an intermediate in the production of other organic chemicals (e.g., drugs).

Domestic production of PHBA is not sufficient for domestic material needs, thereby necessitating imports. Duty-free PHBA would reduce the manufacturing cost of producing these temperature resistant plastics.

At the present time, this chemical is produced in the United States by Napp Chemicals, Inc., of Lodi, New Jersey. Production data cannot be published because to do so would reveal confidential business information. Napp Chemicals is opposed to this provision unless it is amended with an expiration date of December 31, 1988.

In 1986, U.S. imports of PHBA were 6.3 million pounds, valued at $7.7 million. The main sources of these imports were West Germany, 5.3 million pounds, and Japan, 1.0 million pounds. The I.T.C. did not find any imports from column 2 sources.

U.S. imports of PHBA during 1982-87 are 2,167,383 pounds in 1982; 2,022,499 pounds in 1983; 2,469,966 pounds in 1984 at a value of $3,644,000; 6,850,541 pounds in 1985 at a value of $7,578,000; 6,341,391 pounds in 1986 at a value of $7,718,945; and 1,750,000 pounds in 1987 at a value of 2,540,000.

The major importers are Mobay Chemical Corp. of Pittsburgh, PA and Kanematsu-Gosho (USA), Inc. of New York, NY.

There have been no exports of PHBA during the past five years.

Data for domestic consumption of PHBA for the past five years are not available. However, it is estimated to be nearly the same as the quantity of PHBA imported.

Comparison with Present Law

Tariff treatment under the TSUS.--PHBA is classified in TSUS item 404.42, p-Hydroxybenzoic acid. The column 1 rate of duty is 7 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 48.5 percent ad valorem.

Imports of PHBA are eligible for duty-free treatment under the Generalized System of Preferences (GSP); the Caribbean Basin Economic Recovery Act (CBERA) and imports from Israel are also eligible for duty-free treatment under the U.S.-Israel Free Trade Area Implementation Act of 1985, as indicated in the "Special" rates of duty column.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--The HTS commodity code number for PHBA is 2918.29.22, p-Hydroxybenzoic acid. The column 1 rate of duty upon implementation of the HTS will be 7 percent ad valorem.

Effect on Revenue

Based on current demand and uses, the estimated annual loss of revenue will be approximately $300,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on June 1, 1987.

The ITC submitted an informative report on August 17, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#9) dated May 26, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2437

Supports:

Private Sector

Hoechst Celanese Corporation

"- PHBA is the critical monomer that gives the newly developed liquid crystal polymer materials their unique self-reinforcing properties;

- PHBA duty penalizes domestic producers of liquid crystal polymers by increasing the cost of critical raw materials;

- removing the duty will not significantly penalize the only domestic PHBA producer whose material does not meet the stringent quality requirements for liquid crystal polymer production."

Mobay Corporation

"- American consumers of PHBA should not be penalized by duty costs when no U.S. producer has demonstrated the ability to reliably produce high quality PHBA in quantities sufficient to serve the growing volume needs for the U.S. market;

- PHBA serves an important niche in the U.S. preservatives market being the key ingredient in the manufacture of paraben preservatives which are particularly effective against fungi and gram positive bacteria;

- the current suspension of duty on imported PHBA has resulted in lower costs for U.S. paraben producers allowing them to compete more effectively with foreign imports of these finished products."

Premark International/Dartco Manufacturing, Inc.

"Extending suspension of a duty on p-Hydroxybenzoic acid to October 1, 1988, will, therefore, maintain Dartco's competitive position in the liquid crystal polymer industry and should not have adverse effects on any domestic producers of p-Hydroxybenzoic acid."

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SECTION 141(10). M-XYLENEDIAMINE
SECTION 141(11). 1,3-BIS(AMINOMETHYL)CYCLOHEXANE
(Originally introduced as H.R. 4395
by Mr. Wylie)

Summary of Provision

Sections 141(10) and 141(11) would provide temporary column 1 duty suspensions for m-xylenediamine and 1,3-bis(aminomethyl) cyclohexane (TSUS items 404.88 and 407.05, HTS items 2921.51.50 and 2921.30.20) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Sections 141(10) and 141(11) would renew until December 31, 1992, the temporary suspension of the column 1 rates of duty on m-xylenediamine and 1,3-bis(aminomethyl)cyclohexane, which are classified in items 404.88 and 407.05, respectively, of the Tariff Schedules of the United States (TSUS). The temporary suspension of duties on these chemicals, which was previously provided for in items 907.03 (m-xylenediamine) and 907.04 (1,3-bis(aminomethyl) cyclohexane) in the Appendix to the TSUS, expired on December 31, 1987. This provision would amend part 1B of the Appendix to renew the effectiveness of items 907.03 and 907.04 in order to provide duty-free entry of articles from countries entitled to most-favored-nation (MFN) treatment through December 31, 1992. The column 2 rate of duty would remain unchanged.

Background and Justification

The subject chemical is not currently being manufactured in the United States and that the continuation of the temporary suspension of duties has been introduced because it is Congress' policy that U.S. manufacturers should be able to obtain, free of duty, foreign-made components that are domestically unavailable.

The synthetic organic chemical m-xylenediamine (referred to as "MXDA") is produced from m-xylene, and is used primarily as an epoxy resin hardener in the production of epoxy surface coatings and in concrete patching preparations. The chemical, 1,3-bis (aminomethyl)cyclohexane (or "1,3-BAC") is produced from MXDA and is used in the manufacture of specialty adhesives for aircraft and aerospace applications and as a chain extender for certain polyurethanes.

There was no domestic production of either chemical reported to the ITC during 1983-87. 1,3-bis(aminomethyl)cyclohexane is reportedly available from the Aldrich Chemical Company, Milwaukee, Wisconsin; Maypro Industries, Inc., New York, New York; and the PMC Specialties Group, Rocky River, Ohio, a division of PMC, Inc., Sun Valley, California. Maypro is an importing firm only and does not produce any chemicals. Aldrich has never been a producer of 1,3-bis(aminomethyl)cyclohexane and had no opinion concerning the provision. PMC Specialties did not submit any comments.

Separate statistics for imports of m-xylenediamine and 1,3-bis(aminomethyl)cyclohexane are not available as both of these chemicals are classified in residual (basket) TSUS items. However, total imports of these chemicals would probably not be greater than $430,000 in 1988. The only source for these chemicals during 1988 is expected to be Japan.

U.S. export data for the subject chemicals are not available since they are classified in a residual (basket) Schedule B provision. There were no apparent exports of this chemical during 1983-87.

Data for domestic consumption are not available; however, during 1984-87 apparent consumption was approximately the same as imports.

Comparison with Present Law

Tariff treatment under the TSUS.--m-xylenediamine (CAS No. 1477-55-0), is provided for in item 404.88 which has a column 1 rate of duty of 1.1 cents per pound plus 18.8 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 60 percent ad valorem. This chemical is not presently eligible for duty-free entry under the Generalized System of Preferences (GSP); however, it is eligible for duty-free treatment under the Caribbean Basin Economic Recovery Act (CBERA). Imports of this chemical from Israel are currently dutiable at a rate of 0.4 cents per pound plus 7.5 percent ad valorem. Imports of this article from Israel will be duty-free in 1990 under the provisions of the U.S.-Israel Free Trade Area Implementation Act of 1985. A temporary suspension of the column 1 rate of duty was in effect for this chemical from October 30, 1984 to December 31, 1987, under the provisions of the Trade and Tariff Act of 1984, Public Law 98-573. Section 170 of the Act amended the Appendix to the TSUS to insert item 907.03.

The chemical, 1,3-bis(aminomethyl)cyclohexane (CAS No. 2579-20-6), is provided for in item 407.05 which has a column 1 rate of duty of 1.7 cents per pound plus 16.8 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 53.3 percent ad valorem. Imports of this chemical are not eligible for duty-free treatment under the GSP; however, they are eligible for duty-free treatment under the CBERA and the U.S.-Israel Free Trade Area Implementation Act of 1985. Section 170 of Public Law 98-573 amended the Appendix to the TSUS to insert item 907.04 providing temporary duty-free entry for MFN imports until December 31, 1987.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--The chemical m-xylenediamine is provided for in HTS subheading 2921.51.50 with a proposed column 1-general rate of duty of 2.4 cents per kilogram plus 18.8 percent ad valorem effective upon implementation of the HTS. The column 2 rate of duty would be 15.4 cents per kilogram plus 60 percent ad valorem.

The chemical 1,3-bis(aminomethyl)cyclohexane is provided for in subheading 2921.30.20 with a proposed column 1-general rate of duty of 3.7 cents per kilogram plus 16.8 percent ad valorem. The column 2 rate of duty would be 15.4 cents per kilogram plus 53.5 percent ad valorem.

Effects on Revenue

Based on import data the following are the expected annual customs revenue losses during 1988-90: for m-xylenediamine: $67,000 in 1988; $111,000 in 1989; $155,000 in 1990; $155,000 in 1991; and $155,000 in 1992; for 1,3-bis(aminomethyl)cyclohexane: $13,000 in 1988; $34,000 in 1989; $67,000 in 1990; $67,000 in 1991; and $67,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 18, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#20) dated May 27, 1988.

WRITTEN COMMENTS RECEIVED
ON H.R. 4395

Supports:

Private Sector

Sherex Chemical Company, Inc.

SECTION 141(12). 4,4'BIS(A,A,-DIMETHYLBENZYL)DIPHENYLAMINE
(Originally introduced as H.R. 2418
by Mr. Rowland of Connecticut)

Summary of Provision

Section 141(12) would suspend the column 1 rate of duty on 4,4'bis(a,a,-dimethylbenzyl)diphenylamine through December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(12) would temporarily suspend the column 1 rate of duty for 4,4'bis(a,adimethylbenzyl)diphenylamine, classified in item 404.88 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart 1 of the Appendix to the TSUS to extend the effective period of TSUS item 907.06, with duty-free entry for articles from column 1 countries until December 31, 1992, retroactive to December 31, 1987. The column 2 rate of duty would remain unchanged.

Background and Justification

The subject synthetic organic chemical, 4,4'bis(a,a-dimethylbenzyl)diphenylamine, is derived from aniline. Its primary use is as an antioxidant to prolong the useful life of urethane polymers, elastomers, insulating cables, other plastics and resins, and lubricating oils. Typical uses of these products, other than lubricating oils, are for wire coatings, food packaging, molded and sheet products, and plastic pipe. This chemical is also used as an intermediate in the production of other chemicals.

The purpose of this legislation is to reduce the cost of this product to U.S. consumers.

Currently, this chemical is not produced in the United States. During 1978-82, there was only one domestic producer, Uniroyal, Inc., which manufactured this chemical at its plant in Naugatuck, Connecticut. In the second quarter of 1982, production of this chemical was shifted from Uniroyal's Naugatuck plant to its Elmira, Ontario plant to utilize better the Canadian plant's facilities. The Naugatuck plant is now being used by Uniroyal to produce agricultural chemicals.

Because the subject chemical is classified in a residual (basket) TSUS item, data on imports are not separately available from official sources; they are regarded by the sole importer as confidential business information. In 1982, with production shifting to Uniroyal's Canadian plant, imports were estimated to be about 400,000 pounds valued at $660,000. Since that time they are believed to have exceeded 1 million pounds per year, all from Canada.

Export data are unavailable, because the subject chemical is classified in a basket Schedule B number for amines and their derivatives. Since there is only one exporter, the export data are regarded as confidential business information and are not officially reported. However, during 1978-82, U.S. exports are believed to have averaged approximately 70,000 pounds per year. Since the shift of production to Canada, it is estimated that the Canadian plant supplies about 70,000 pounds to non-U.S. export markets. Most of the exports are supplied directly from Canada. However, a small portion of the 70,000 pounds is believed to be reexports by the U.S. parent company of material originally imported into the United States from its Canadian affiliate.

Except for minor exports of material of Canadian origin, U.S. consumption is essentially the same as imports.

Comparison with Present Law

Tariff treatment under the TSUS. -- As a result of the Trade Agreements Act of 1979, 4,4'bis(a,a-dimethylbenzyl)diphenylamine is classified in TSUS item 404.88, covering nonenumerated amines provided for in the Chemical Appendix to the TSUS. Item 404.88 has a column 1 duty rate of 1.1 cents per pound plus 18.8 percent ad valorem. The column 2 rate is 7 cents per pound plus 60 percent ad valorem. The chemicals classified in TSUS item 404.88 are not eligible for duty-free entry under the Generalized System of Preferences (GSP); however, they are eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA). Under the United States-Israel Free Trade Area Implementation Act of 1985, the applicable duty is 0.4 cents per pound plus 7.5 percent ad valorem.

In 1984, the column 1 rate of duty on imports of this chemical was temporarily suspended through December 31, 1987.

Tariff treatment under the proposed Harmonized Tariff System (HTS). The Harmonized Tariff System subheading covering 4,4'bis(a,a-dimethylbenzyl)diphenylamine is 2921.44.50 (diphenylamine and its derivatives). The column 1 rate of duty for this tariff item upon implementation of the HTS is proposed to be 2.4 cents per kilogram plus 18.8 percent ad valorem.

Effect on Revenue

Customs revenue losses are expected to average somewhat less than $1 million per year.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on July 15, 1987.

The Department of Commerce submitted a no objection report on April 19, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 2418

Supports:

Private Sector

Uniroyal Chemical Company, Inc.: "The current duty suspension for this chemical...has achieved the favorable results intended by Congress through the reduction of the cost for this product to consumers....Since no adverse impacts have resulted from the present duty suspension, and the U.S. importer and consumers have realized its intended benefits, the duty suspension should be extended for three years.

SECTION 141(13). 4-CHLORO-3-METHYLPHENOL
(Originally introduced as H.R. 2339
by Mr. Crane)

Summary of Provision

Section 141(13) would temporarily suspend the column 1 rate of duty for 4-chloro-3-methylphenol (TSUS item 403.57, HTS item 2908.10.50) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(13) would suspend the column 1 rate of duty for 4-chloro-3-methylphenol (p-chloro-m-cresol) currently classified in item 403.57 of the Tariff Schedules of the United States (TSUS). The expired temporary duty suspension is provided for in TSUS item 907.08. The column 2 rates of duty would remain unchanged. Item 907.08 of subpart B of part 1 of the Appendix to the TSUS would be amended, revising the December 31, 1987 expiration date to December 31, 1992.

Background and Justification

The synthetic organic chemical, 4-chloro-3-methylphenol, is derived from m-cresol. It is used primarily as a biocide, antioxidant, and emulsifier in the manufacture of oil-in-water machine cutting fluids, in certain specialty products such as antidandruff shampoos and hand lotions, and in sensitive films such as x-ray and microfilms to protect these products during prolonged storage. It is also used as a chemical intermediate in the manufacture of more complex chemical products. It is reported to give longer life to metal-cutting fluids than any other product.

This chemical, 4-chloro-3-methylphenol has not been produced in the United States since 1973. Its U.S. manufacturer at that time felt that potential profits of this chemical did not match the cost of increasing environmental regulations. However, users of the chemical need it for the applications listed above.

The only U.S. producer of 4-chloro-3-methylphenol, Ferro Corp., Ottawa Chemicals Division, stopped domestic production in 1973.

As the subject chemical is classified in a residual (basket) TSUS item, data on the quantity and value of imports in recent years are not available. In 1982, U.S. imports of 4-chloro-3-methylphenol amounted to 260,297 pounds. Imports in subsequent years have not increased and have ranged from 200,000 to 300,000 pounds per year. The estimated unit value of imports is about $2.85 per pound. Sources of imports are West Germany and the United Kingdom.

Export data for this chemical are not available. Exports have been minimal since the chemical is not produced in the United States.

Comparison with Present Law

Tariff treatment under the TSUS.--As a result of the Trade Agreements Act of 1979, this chemical was classified in TSUS item 403.56 (derivatives of phenols or phenol-alcohols which are provided for in the Chemical Appendix to the Tariff Schedules). In 1985, when one of the chemicals in item 405.56 was given eo nomine status, this item was renumbered 403.57. Item 403.57 has a column 1 rate of duty of 0.7 cents per pound plus 19.4 percent ad valorem. The column 2 rate is 7 cents per pound plus 62

percent ad valorem. This chemical is not eligible for duty-free entry under the Generalized System of Preferences (GSP). However, it is eligible for duty-free entry when imported from designated Caribbean Basin Economic Recovery Act (CBERA), and, under the United States-Israel Free Trade Area Implementation Act of 1985, the duty has been reduced to 0.4 cents per pound plus 11.6 percent ad valorem.

As of January 1983, the column 1 rate of duty on imports of this chemical was temporarily suspended until June 1984, by section 130 of Public Law 97-446; and in 1984 this suspension of duty was extended to December 31, 1987.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The Harmonized Tariff System commodity code number for 4-chloro-3-methylphenol is 2908.10.50 (other halogenated derivatives of phenols or phenol-alcohols). The column 1 rate of duty for this item upon implementation of the HTS will be 1.5 cents per kilogram plus 19.4 percent ad valorem.

Effects on Revenue

The loss in revenue during the next few years is expected to average about $150,000 per year.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on August 15, 1987.

The Department of Commerce submitted a no objection, if amended as suggested, report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 141(14). UNCOMPOUNDED ALLYL RESINS
(Originally introduced as H.R. 2236
by Mr. Gejdenson)

Summary of Provision

Section 141(14) would continue the temporary column 1 duty suspension for uncompounded allyl resins (TSUS item 408.96, HTS item 3907.91) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(14) would temporarily suspend the column 1 rate of duty on imports of uncompounded allyl resins classified in item 408.96. The legislation would amend item 907.16 of the Appendix to the Tariff Schedules of the United States (TSUS) by striking out the effective period of the suspension from "12/31/87" to "12/31/92," making the suspension retroactive to December 31, 1987. The column 2 rate of duty would remain unchanged.

Background and Justification

Allyl resins are a special class of polyester resins derived from esters of allyl alcohol and dibasic acids. The resins are prepolymers and include two compounds of commercial significance, diallyl phthalate and diallyl isophthalate, known by the acronyms DAP and DAIP, respectively. However, the simpler monomers from which these prepolymers are made are also known as DAP and DAIP. These monomers are made by reacting phthalic anhydride with allyl alcohol. In addition to being used in the manufacture of DAP and DAIP prepolymer resins, the monomers, especially DAP, also are used as cross-linking agents for unsaturated polyester resins. These monomers are classified in TSUS item 404.37.

The prepolymer resins are used to make molding compounds by combining them with fillers and other additives. The resins are usually sold as fusible prepolymers to plastics fabricators which incorporate reinforcing fibers, fillers, flame retardants, and other additives to make the molding compounds. Imports of both these prepolymer resins and the molding compounds are classified under TSUS item 408.96. These allyl molding compounds are normally sold to an end user who then converts them to an infusible, thermoset allyl polymer which is usually an integral part of an electrical/electronic component.

Prepolymer resins are also used by the electrical/electronic industry to make components containing the final plastic product, which is an infusible thermoset resin. The fusible thermoset resin is not imported in that form but as an integral part of an electrical/electronic component, which is entered under the appropriate TSUS item number for the component. About 90 percent of the domestically marketed, allyl prepolymer resins are used to produce allyl molding compounds, while 10 percent are used in such other applications as preimpregnated glass cloths and papers, and sealants for metal castings.

DAP and DAIP prepolymer resins exhibits excellent electrical properties such as high insulation resistance and low electrical losses at temperatures in excess of 400 degrees Fahrenheit, and are used in the high-performance end of the product line. Because of these properties, about 80-90 percent of the DAP and DAIP molding compounds is consumed domestically in the manufacture of the high performance, dielectric insulators for connector housings under Military Specifications (Mil. Spec.) M-14G, Naval Sea Systems, "Molded Plastics and Molded Plastic Parts," thermoset specification. The end products are certified to this Military Specification even for commercial applications. The remainder is used in the manufacture of other electrical/electronic parts, such as bobbins, switches, and circuit boards, for use in computers, telecommunications, and other equipment.

Until 1979, DAP prepolymer was manufactured by both the FMC Corp. in the United States and the Osaka Soda Co. of Japan. In 1980, FMC discontinued production of the DAP prepolymer, leaving Osaka Soda the only producer in the world. Another Japanese firm, Kukdo Chemical, a division of Tohto Kasei Co., Ltd. has entered the market and is manufacturing the DAP resin in Korea. Attempts to encourage domestic production of this prepolymer have been unsuccessful. The purpose of this legislation is to reduce the cost of this material to U.S. consumers.

Cosmic Plastic Inc. of San Fernando, CA, is the only United States producer of certain DAP and DAIP prepolymer resins. Cosmic uses its DAP and DAIP prepolymer resins output captively in the production of the corresponding molding compounds. The markets for DAP and DAIP molding compounds are not growing and, therefore, domestic plastics producers are not interested in investing in the capital equipment necessary to restart U.S. production of DAP and/or DAIP prepolymer resins on a major scale.

Cosmic Plastics Inc. of San Fernando, CA., makes a limited amount and limited grades of DAP and DAIP prepolymer resins for internal consumption, in its molding compounds. The amount produced is regarded as confidential by Cosmic. Domestic production is estimated to be less than 500,000 pounds per year.

In 1986, imports of allyl resins under TSUS item 408.96 amounted to 1.3 million pounds valued at $1.9 million. The primary source of these imports was Japan, which represented about 85 percent of the volume and about 89 percent of the value. (During 1981-85, Japan annually exceeded 90 percent of both the quantity and value of these imports.) There were no known imports in 1986 from column 2 sources.

U.S. imports of total allyl prepolymer resins and allyl molding compounds classified under item 408.96 during 1981-86 and shown in the following tabulations.

Year	Quantity (1,000 pounds)	Value (1,000 dollars)
1981.....	2,321	2,948
1982.....	1,641	2,574
1983.....	1,889	2,818
1984.....	1,922	3,061
1985.....	1,507	2,277
1986.....	1,281	1,912

As shown above, U.S. imports under item 408.96 declined irregularly by about 43 percent in volume and by about 35 percent in value during this period. This trend further reinforced the industry's contention that the markets for DAP and DAIP prepolymer resins and the corresponding DAP and DAIP molding compounds are mature. Imports of completed electronic equipment have further hurt the domestic market for DAP and DAIP molding compounds.

There are five domestic producers of DAP and DAIP molding compounds that are now the principal users of the imported prepolymer resins. These firms and their locations are Costmic Plastics, Inc. - San Fernando, CA, Dorez Resins Div., Occidental Chemical Corp. - North Tonawanda, NY, Industrial Dieletrics, Inc. - Noblesville, IN, Plaskon Electronics Materials Inc. - Toledo, OH, Rogers Corp. - Rogers, CT

Official export statistics for allyl prepolymer resins and allyl molding compounds are not separately available. However, exports are apparently negligible and nearly all allyl molding compounds are consumed domestically.

Industry sources report that apparent consumption of DAP and DAIP prepolymer resins and DAP and DAIP molding compounds is about equal to U.S. imports and, therefore, has declined significantly during 1981-86. These sources report that two reasons principally account for this decline. First, allyl prepolymer resins are mature products with saturated markets. Second, much of the U.S. electronics goods containing components of DAP and DAIP molding compounds are imported in finished form.

Comparison with Present Law

Tariff treatment under the TSUS.--These chemicals are currently classified in TSUS item 408.96 with a column 1 rate of duty of 5.8% ad valorem and a Column 2 rate of duty of 7 cents per pound plus 45% ad valorem.

Imports of the subject allyl prepolymer resins and allyl molding compounds are eligible for duty-free entry under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act, and the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized System (HTS).--Under the proposed HTS nomenclature, virtually all allyl prepolymer resins and allyl molding compounds in primary forms would be included under the same heading. Under the draft converted schedule, allyl prepolymer resins and allyl molding compounds in primary forms would be classified in subheading 3907.91.10, with a proposed Column 1 rate of duty of 5.8% ad valorem.

Effects on Revenue

Based on a 6.3 percent ad valorem rate of duty in 1986, the estimated annual loss of revenue would be $93,000.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 11, 1987.

The ITC submitted an informative report on July 1, 1987.

The Department of Commerce submitted a no objection report on June 7, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 141(15). CERTAIN FORMS OF AMIODARONE
(Originally introduced as H.R. 2421
by Mr. Sundquist)

Summary of Provision

Section 141(15) would temporarily suspend the column 1 rate of duty on amiodarone (TSUS item 412.12, HTS item 2933.90.30) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(15) would temporarily suspend the column 1 rate of duty on certain forms of amiodarone now provided under item 412.12 of the Tariff Schedules of the United States (TSUS). The provision would amend TSUS item 907.18 by inserting "in other than pill form" after "Amiodarone" (thereby clarifying the scope of the provision) and by striking out the expiration date "12/31/87" and inserting in lieu thereof "12/31/92". The column 1 duty suspension would be retroactive to December 31, 1987. The column 2 rate of duty would not be affected.

Background and Justification

The Food and Drug Administration (FDA) lists intravenous amiodarone as an investigatory new drug. It is imported into the United States for clinical trials, which are being carried out by physicians and pharmacologists. Preliminary evidence indicates that the drug is a uniquely effective antiarrhythmic cardiovascular agent. The drug also acts as a coronary vasodilator.

This drug is not produced in the United States and this legislation would extend temporarily the existing duty suspension on only the intravenous form of amiodarone, thereby reducing the cost of this drug to the U.S. consumers.

During 1982-86, amiodarone was not produced in the United States. Wyeth Laboratories, Inc. of Radnor, Pennsylvania is the U.S. licensee for distribution of amiodarone in pill form. Laboratories Labaz, the French firm manufacturing the drug, distributes the intravenous form only to those U.S. cardiologists who have received permission from the U.S. Food and Drug Administration to administer the drug.

Because this product is classified in a residual or "basket" TSUS item, separate U.S. import statistics on this product are not available. However, such data were published by the I.T.C. until 1983. The I.T.C. reports for all forms of amiodarone (pill and intravenous form) show no imports in 1980, 119 pounds in 1981, 645 pounds in 1982, and 9,460 pounds in 1983. Imports of intravenous amiodarone averaged 10 kilograms (22 pounds) annually between 1984 and 1986. During 1987, imports are estimated to be less than 5 kilograms (11 pounds). Imports of this form of the drug will remain at the 1984-87 level during 1988-92, unless the FDA approves commercialization.

Amiodarone is imported directly from the French producer, Laboratories Labaz. Sanofi, Inc., located in New York, N.Y., is a U.S. subsidiary of Laboratories Labaz and takes orders for direct shipment from France to the various investigators using intravenous amiodarone.

There were no U.S. exports of this drug during 1982-86. Since amiodarone is not produced in the United States, domestic consumption is the same as imports. Current annual U.S. consumption of intravenous amiodarone is approximately 5 kilograms, because this form of the drug has not been approved by the FDA for general use in the United States but only for clinical testing.

Comparison with Present Law

Tariff treatment under the TSUS.--Amiodarone was granted temporary duty-free treatment under TSUS item 907.18 until December 31, 1987. However, this drug is provided for in TSUS item 412.12, covering other cardiovascular drugs not provided for in the Chemical Appendix to the Tariff Schedules. The column 1 duty rate for this TSUS item is 8 percent ad valorem, and the column 2 rate is 7 cents per pound plus 65 percent ad valorem. Amiodarone is not eligible for duty-free treatment under the Generalized System of Preferences. However, imports from designated Caribbean countries are eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA), as are imports from Israel under the United States-Israel Free Trade Area Implementation Act of 1985, as indicated in the Special rate of duty column.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The HTS subheading for amiodarone is 2933.90.30, which covers other aromatic, heterocyclic cardiovascular drugs. The column 1 rate of duty proposed to be effective upon implementation of the HTS is 8 percent ad valorem.

Effects on Revenue

The estimated customs revenue losses during 1988-90 are as follows: $560 in 1988, $580 in 1989 and $600 in 1990.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on July 15, 1987.

The Department of Commerce submitted a no objection report on April 14, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987. No comments were received.

SECTION 141(16). CAFFEINE
(Originally introduced as H.R. 2431
by Mr. Guarini)

Summary of Provision

Section 141(16) would temporarily reduce the column 1 rate of duty of caffeine (TSUS item 437.02, HTS 2939.30.00) until December 31, 1992, retroactive to December 31, 1987.

Section-by-Section Analysis

Section 141(16) would amend item 907.22 of the Appendix to the Tariff Schedules of the United States (TSUS) to extend the expired reduction of the column 1 rate of duty for imports of caffeine provided for in TSUS item 437.02. This would be accomplished by striking "12/31/87" and inserting "12/31/92" in lieu thereof. The column 2 rate of duty would remain unchanged.

Background and Justification

Pure caffeine is a white, odorless, crystalline powder with a bitter taste. It is one of the xanthine alkaloids and occurs naturally in coffee beans, tea leaves, and kola nuts. Caffeine is a central nervous system stimulant. Most caffeine is produced by chemical synthesis or as a by-product of the production of decaffeinated coffee.

The principal end use for caffeine is in cola soft drinks. As a drug, caffeine is frequently added to analgesic and cold and allergy preparations to counteract drowsiness caused by other drugs in the reparations. The purpose of this legislation is to reduce the cost of caffeine to U.S. consumers.

The Committee understands a comparable temporary duty reduction is provided for on imports of this product into countries of the European Economic Community. The continuation, or extension, of the temporary duty reduction provided for by this legislation will be considered upon review of the European Economic Community's similar continuation of their temporary duty reduction treatment.

I.T.C. records indicate that during 1982-85 three companies produced caffeine domestically. Two of the firms, General Foods Manufacturing Corp. and Certified Processing Corp., produced natural caffeine. The third firm, Pfizer, Inc., produced synthetic caffeine. Production data may not be disclosed because to do so would disclose business confidential information.

U.S. imports of caffeine in 1986 amounted to 5.3 million pounds, valued at $20.4 million. The unit value was $3.85 per pound. The major source of these imports was West Germany, which accounted for 85 percent of total such imports by value. Italy and China were the next largest sources, accounting for 6 percent and 5 percent, respectively, by value.

U.S. imports of caffeine in 1985 were valued at $16.5 million, an increase of 35 percent from 1984. In terms of quantity, imports amounted to 5.1 million pounds in 1985 and 3.8 million pounds in 1984. The unit values in 1985 and 1984 were $3.24 per pound and $3.21 per pound, respectively. Imports of caffeine in 1983 amounted to 4.0 million pounds, valued at $13.9 million, compared with 3.3 million pounds, valued at $11.9 million in 1982. As in 1986, West Germany was the primary source of these imports during 1982-85.

U.S. exports of caffeine and its derivatives in 1986 were valued at $1.8 million, compared with $1.6 million in 1985. Such exports in 1984 were valued at $1.9 million, a decrease of 1.1 percent from 1983. The exports of caffeine in 1982 were valued at $1.6 million.

In terms of quantity, U.S. exports of caffeine in 1986 amou8nted to 724,000 pounds. These exports in 1985, 1984, 1983, and 1982 amounted to 528,000 pounds, 947,000 pounds, 881,000 pounds, and 525,000 pounds, respectively.

Data on apparent U.S. consumption are not available.

Comparison with Present Law

Tariff treatment under the TSUS.--Caffeine is classified under item 437.02 (Caffeine). This item includes imports of natural and synthetic caffeine. The duty rate for column 1 countries is 6 percent ad valorem. The column 2 duty rate is 59 percent ad valorem. The product is eligible for duty-free treatment under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA), and under the United States-Israel Free Trade Area Implementation Act of 1985 as indicated in the "Special" column.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--The HTS commodity code number for caffeine is 2939.30..00 (caffeine and its salts). The proposed column 1 rate of duty to be effective upon implementation of the HTS will be 6 percent ad valorem.

Effects of Revenue

Estimated annual customs revenue losses during 1988-90 are as follows; $428,000 in 1988, $448,000 in 1989, $471,000 in 1990, $471,000 in 1991, and $471,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1988.

The ITC submitted an informative report on July 30, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

WRITTEN COMMENTS RECEIVED
ON H.R. 2431

Supports:

Private Sector

Donald C. Alexander, Attorney, on behalf of BASF Corporation and Henley Company

SECTION 141(19). CERTAIN YTTRIUM MATERIALS AND COMPOUNDS
(Originally introduced as H.R. 4415
by Mr. Thomas of California)

Summary of Provision

Section 141(19) would extend the existing temporary column 1 duty suspension on yttrium bearing materials and yttrium compounds (TSUS items 423.00, 423.96, and 603.70; HTS items 2620.90.90, 2846.90.50) until December 31, 1992.

Section-by-Section Analysis

Section 141(19) would extend until December 31, 1992 the existing suspension of the column 1 rate of duty on yttrium bearing materials and yttrium compounds provided for in items 423.00, 423.96, or 603.70 of the Tariff Schedules of the United States (TSUS), which contain by weight more than 19 percent but less than 85 percent yttrium oxide equivalent, as specified in item 907.51 of the Appendix to the TSUS. The special and column 2 rates of duty would not be affected by this bill.

Background and Justification

This Legislation would enable U.S. producers of yttrium oxide, who are virtually totally dependent on foreign feedstocks of yttrium concentrates, to compete domestically with foreign producers who enjoy access to duty-free feedstocks. Because production cost margins are very small, the elimination of the duty that U.S. producers of yttrium oxide must pay for their feedstocks would enable U.S. producers to compete with foreign suppliers. Failure to pass the legislation could result in the demise of the domestic yttrium refining industry and the loss of a small number of highly skilled jobs.

Yttrium is a chemical element produced from xenotime, monazite or bastnasite which are found in placer and beach sand deposits or carbonatites. Xenotime ore contains about 25-30 percent yttrium oxide equivalent, while monazite ore contains 1-2 percent yttrium oxide equivalent and bastnasite concentrates contain less than 0.1 percent yttrium oxide equivalent. Yttrium concentrate is produced by mixing xenotime ore with a strong acid or base such as sulfuric acid or sodium hydroxide. This raises the yttrium oxide equivalent level of the yttrium compounds contained in the xenotime concentrate to 60 percent by weight from 25 percent. Yttrium concentrate is not produced from monazite or bastnasite ores. Instead, the rare earth groups are isolated and separated out in stages. To produce a yttrium compound suitable for end use in the production of yttrium phosphors, the yttrium oxide equivalent level of the yttrium concentrate must be raised to at least 99.99 percent purity. This is achieved through a solvent extraction process which removes all remaining contaminants. Xenotime ore is the primary source of yttrium compounds and metal.

Yttrium has been commercially available since 1964 at which time it was found to be useful in the production of television phosphors. Yttrium compounds in combination with europium such as in fluorescent lights emit a bright red light when activated by electrons. The color television industry uses yttrium phosphors in manufacturing television screens since these phosphors give better color reproduction and a brighter screen than do non-yttrium phosphors. Yttrium iron garnets and yttrium aluminum garnets are used in such electronic applications as radar and communication devices. Yttrium metal, which is produced from yttrium oxide through reduction in an electric arc furnace, is used in a variety of alloys to improve corrosion resistance,

strength, ductility, and electrical conductivity. In 1981, approximately 90 percent of the high purity yttrium consumed was used to make color television phosphors, 5 percent was used in electronic applications, and another 5 percent was used to make yttrium metal.

The industry as defined in this section is limited to U.S. producers of yttrium-containing ores, intermediates, and the refined yttrium products, yttrium oxide and yttrium metal.

In 1987, two companies in the United States mined the yttrium-containing minerals bastnasite and monazite; however, only a small percentage of the yttrium consumed in the United States was obtained from yttrium-containing ores that were mined domestically. Associated Minerals Corp. Ltd., Inc., an Australian owned company mines monazite ore from deposits located in Green Cove Springs, FL. Because Associated Minerals Corp. does not have rare earth or yttrim refining capabilities in the United States, all of the monazite minerals mined by the company in the United States are refined abroad, principally in France.

In contrast to Associated Minerals, Molycorp's domestic yttrium production capabilities consist of both mining and refining operations. However, Molycorp acquires the bulk of its yttrium feed materials from imports. Molycorp extracts bastnasite, a yttrium-containing mineral from its mine in Mountain Pass, CA, which is then refined by Molycorp into yttrium-oxide, yttrium metal and other rare earth products in processing facilities located in Louviers, CO, Washington, PA, and York, PA. Molycorp recently announced that it was increasing its processing capacity for refining yttrium oxide in response to increased demand.

Research Chemicals, located in Phoenix, AZ, a division of Nucor Corporation is the only other domestic processor of yttrium chemicals and other refined yttrium products. In contrast to Molycorp which caters to the relatively large-scale commercial end-user of yttrium products, Research Chemicals caters to the end-user who requires a low-volume but extremely high purity product. Typically, yttrium oxide produced by Molycorp is 99.99 percent pure whereas the yttrium oxide produced by Research Chemicals is 99.999 or 99.9999 percent pure.

Rhone Poulenc is a French-based company which operates a rare earth separation facility in Freeport, TX, and in La Rochelle, France. Yttrium oxide is refined, however, only in the French facility and much of this material is exported to the United States. The company has recently announced that it was planning to mine apatite (a yttrium bearing mineral) in New York State which will be refined into yttrium oxide. No date for production has been set as of May 26, 1988.

There is negligible U.S. production of yttrium concentrate or of any product that corresponds to yttrium bearing materials and compounds containing by weight more than 19 percent but less than 85 percent yttrium oxide equivalent.

U.S. production of yttrium oxide, a refined chemical, which is also the prevursor to other refined yttrium products is, however, significant. Production is not reported separately in part because there are only two domestic producers. However. U.S. production of yttrium oxide or equivalently of refined yttrium products can be roughly estimated because U.S. production of yttrium oxide approximates U.S. imports of the feedstock yttrium concentrates. U.S. production of yttrium oxide in 1987 rose by about 25 percent relative to the early 1980's reaching more than 150,000 pounds in term of yttrium oxide equivalent. U.S. production of yttrium oxide rose in response to increased yttrium demand in both domestic and foreign markets.

U.S. imports of the products described in this legislation are not separately reported in the official U.S. trade statistics but are included in basket categories with other metal bearing materials, and inorganic compounds. Most yttrium is imported into the United States in the form of yttrium concentrate containing by weight a yttrium oxide equivalent of 60 percent. The two domestic refiners then proceed to refine the imported product into a high purity compound containing by weight a yttrium oxide equivalent exceeding 99 percent.

The principal sources for U.S. imports of yttrium concentrates are China, Canada, Malaysia, and Japan. The principle import sources for the refined yttrium oxide for which yttrium concentrates are the feedstocks are China, France, Japan, and the U.S.S.R. U.S. imports of yttrium concentrate from Canada are expected to displace imports from the Far East when the Canadian production facility for yttrium concentrate (a joint venture with Molycorp's parent company Unocal) which started up recently becomes fully operational.

Total U.S. imports of yttrium concentrates rose from about 120,000 pounds (in terms of Y_2O_3 content) in the early 1980's to about 150,000 pounds in 1987 in response to increased opportunities that were opened up to U.S. refiners of yttrium because of increased domestic and foreign demand for yttrium. These imports are expected to track demand for yttrium which is expected to grow at a rate of about 5 percent a year.

U.S. exports of yttrium concentrates are not separately reported in official U.S. trade statistics. They are, however, considered to be virtually zero due to negligible U.S. production of these products.

U.S. exports of yttrium oxide and other refined yttrium products are also not separately reported in official U.S. trade statistics. U.S. exports of refined yttrium, which are shipped primarily to Europe, account for approximately 30 percent of U.S. production and amount to less than $2 million. These exports are expected to grow because of the increased technological sophistication of foreign markets, the weakness of the U.S. dollar, and the improved position of the U.S. yttrium refinery industry which has recently acquired a secure raw materials base.

Because U.S. production and exports of yttrium concentrates are negligible, apparent U.S. consumption of yttrium concentrates approximate U.S. imports which amounted to an estimated 150,000 pounds in terms of Y_2O_3 content in 1987. Yttrium concentrates are refined into yttrium oxide which can be further processed into other refined yttrium products.

Because U.S. imports and exports of refined yttrium oxide and other refined yttrium products are roughly in balance, apparent U.S. consumption of refined yttrium products approximates U.S. production which amounted to an estimated 150,000 pounds in terms of Y_2O_3 content in 1987.

U.S. apparent consumption of yttrium concentrates and yttrium oxide are expected to grow at an annual rate of about 5 percent due to growth in such end-use sectors as phosphors (due in part to increased use of large television screens) and ceramics.

Consumption could increase substantially in the future (i.e., beyond 1994) if yttrium would become a preferred component of superconductors. Many different material combinations are, however, currently being studied as possible superconducting materials.

Comparison with Present Law

Tariff treatment under the TSUS.--Yttrium bearing materials are classified under TSUS item 603.70, a residual provision for "other metal-bearing materials of a type commonly used for the extraction of metal or as a basis for the manufacture of chemical compounds." This category includes yttrium concentrate which has been chemically dissolved from xenotime ore or monazite ore. The column 1 and column 2 rate of duty for this item are 5 percent and 30 percent ad valorem, respectively. There is preferential tariff treatment for this category under the GSP, under the United States-Israel Free Trade Area Implementation Act of 1985, and under the CBERA.

Yttrium inorganic compounds are classified in TSUS item 423.00, a residual provision for "other inorganic compounds"; or in TSUS item 423.96, a residual provision for mixtures of two or more inorganic compounds. The column 1 rate of duty for TSUS items 423.00 and 423.96, are 3.7 percent ad valorem and free, respectively, and the column 2 rate of duty for TSUS items 423.00 and 423.96 are both 25 percent ad valorem. There is preferential tariff treatment for TSUS item 423.00 under the GSP, under the United States-Israel Free Trade Area Implementation Act of 1985,, and under the CBERA.

The duty of yttrium bearing materials and compounds classified under TSUS 423.00, 423.96, and 603.70 containing by weight more than 19 percent but less than 85 percent yttrium oxide equivalent is temporarily suspended until December 31, 1988, as specified in item 907.51 of the Appendix to the TSUS.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--The HTS subheading for yttrium concentrate or yttrium bearing materials believed to be the principal feedstock imported for the preparation of refined yttrium products is 2620.90.90. The column 1 and column 2 rate of duty for HTS item 2620.90.909 are 5 percent and 30 percent ad valorem, respectively. There is preferential tariff treatment for this category under the GSP, under the U.S.-Israel Free Trade Area Implementation Act of 1985, and under the CBERA.

The HTS subheading for yttrium compounds is 2846.90.50. The column 1 and column 2 rate of duty for this item is 3.7 percent and 25 percent ad valorem, respectively. There is preferential tariff treatment for this category under the GSP, under the United States-Israel Free Trade Area Implementation Act of 1985, and under the CBERA.

Effects on Revenue

Precise calculation of revenue loss is not possible since the products covered by this legislation are included in basket categories. An estimate of the revenue loss in 1987 can, however, be obtained using the approximation that U.S. imports of yttrium concentrate in that year amounted to 150,000 pounds and that virtually all these imports are classified under TSUS 603.70, for which the column 1 duty rate is 5 percent ad valorem. Using $20 per pound (in terms of Y_2O_3 content) as the average price of yttrium concentrate, the estimated maximum revenue loss in 1987 was about $150,000. This revenue loss should increase by about 5 percent per year assuming that demand for yttrium products increases by that percentage annually. The actual revenue loss due to the enactment of this legislation could, however, be much less than the figures provided above, in the event that the U.S.-Canada Free Trade Agreement is ratified. More than half of U.S. imports of yttrium concentrates are expected to come from Canada within the next few years.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 18, 1988.

The ITC Submitted an informative report on July 18, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#20) dated June 1, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4415

Supports:

Private sector

Molycorp, Inc.

SECTION 141(20). TARTARIC ACID
SECTION 141(21). POTASSIUM SALTS
SECTION 141(22). CREAM OF TARTAR
SECTION 141(23). SODIUM TARTRATE
(Originally introduced as H.R. 4167
by Mr. Green)

Summary of Provision

Sections 141(20), 141(21), 141(22), and 141(23) would extend the existing temporary column 1 duty suspension for certain tartaric chemicals (TSUS items 425.94, 426.72, 426.76, 426.82, and HTS items 2918.12.00, 2918.13.10, 2918.13.20) until December 31, 1992.

Section-by-Section

Sections 141(20), 141(21), 141(22), and 141(23) would temporarily suspend the column 1 rate of duty for certain tartaric chemicals classified in items 425.94, 426.72, 426.76, and 426.82 of the Tariff Schedules of the United States (TSUS). These provisions would amend subpart B of part 1 of the Appendix to the TSUS to repeal items 907.65, 907.66, 907.68, and 907.69, which afforded temporary duty-free entry to such articles until the close of December 31, 1988. The column 2 rate of duty would remain unchanged.

Background and Justification

Tartaric chemicals, exclusive of Rochelle salts, have not been produced in the United States since 1977. With the exception of Rochelle salts, none of the subject tartaric chemicals can be economically produced in the United States because they originate as a natural by product of the fermentation and proper aging of wine. U.S.-produced wines are generally not aged long enough to produce sufficient quantities of tartaric chemicals. Thus, any import duties reportedly add to the cost of overall production of downstream chemical products.

Tartaric acid is a colorless crystalline solid used as a sequestrant in metal and plastics galvanizing; in medicinal preparations; in effervescent beverages, baking powders flavors, and various foods; in photographic printing and developing; in the manufacture of textiles and mirrors; and in metal coloring.

Tartar emetic is a poisonous, crystalline solid or white powder, which is amorphous when exposed to air. It is used as a textile and leather mordant, as a perfumery component, as an insecticide, and in medicines.

Cream of tartar (containing over 90 percent potassium bitartrate by weight) is a white crystalline powder with a pleasant acid taste. It is produced by extraction from argols or from wine lees by hot water extraction. Cream of tartar is used in baking powder; in producing other tartrates and medicine; in galvanizing metals; and in some foods.

Rochelle salts (also referred to as potassium-sodium tartrate) are colorless crystals with a saline taste. Rochelle salts are used in medicine, the manufacture of Seidlitz powders, in baking powder, and in foods.

Rochelle salts are the only synthetic tartaric chemical produced in the United States. The only U.S. producer of this chemical, Pfizer, Inc., also imports tartaric acid and its salts. American Cyanamid Co. ceased production of potassium bitartrate in 1976, and Harshaw Chemical Co. ceased production of tartar emetic in that year as well. Pfizer, Inc., ceased production of tartar emetic in 1977. No new plants are proposed in the United States.

U.S. production statistics for potassium sodium tartrate (Rochelle salts) cannot be presented because their publication would reveal the operations of the single producer.

Tartaric acid accounts for the major portion of imports of these tartaric chemicals, rising from 306 million pounds, valued at $2.9 million, in 1983 to 4.8 million pounds, valued at $6.0 million, in 1987. This increase constituted an overall change of about 5 percent per year over the 5-year period. The major suppliers of tartaric acid were Spain and Italy.

U.S. imports of cream of tartar increased slightly from 1983 to 1987, from 2.2 million pounds in 1982 to 2.5 million pounds in 1987. The value of these imports increased from $1.2 million in 1983 to $1.8 million in 1987. The major suppliers of cream of tartar in 1987 were Spain and Italy.

Imports of tartar emetic were largely supplied by Italy. Total imports of this chemical fluctuated but generally decreased from 241,000 pounds (valued at $407,000) in 1983 to 136,000 pounds (valued at $324,000) in 1987.

Imports of Rochelle salts fluctuated throughout the period 1983-87. Import levels increased to 1.0 million pounds (valued at $405,000) in 1984 but decreased sharply to about 720,00 pounds (valued at $470,000) in 1987. The Rochelle salts were largely supplied by France.

The only chemical produced in the United States from tartaric chemicals is Rochelle salts. Data on exports of Rochelle salts are not available; but, because of the U.S. demand for tartaric chemicals, exports are probably negligible.

Apparent U.S. consumption of tartaric acid is essentially the same as imports, which amounted to 4.8 million pounds, valued at $6.0 million, in 1987. Apparent consumption of the remainder of the subject tartaric acid salts remained fairly level, due to fluctuations in imports levels of individual tartaric chemicals and U.S. production of Rochelle salts. Combined imports of the 3 chemicals approximately 3.5 million pounds per year from 1983-87.

Comparison with Present Law

Tariff treatment under the TSUS.--Tartaric acid is classified eo nomine in TSUS item 425.94, with a column 1 rate of duty of 4.3 percent ad valorem and a column 2 duty rate of 17 percent ad valorem. Similarly, tartar emetic is provided for eo nomine in TSUS item 426.72, with a column 1 rate of duty of 1.8 percent ad valorem and a column 2 duty rate of 4 percent.

Cream of tartar is classified in TSUS item 426.76, also by name; the tariff item has a column 1 rate of duty of 4.6 percent ad valorem and a column 2 duty rate of 11 percent ad valorem. Finally, Rochelle salts are classified eo nomine in TSUS item 426.82, with a column 1 rate of duty of 4.1 percent ad valorem and a column 2 duty rate of 11.5 percent ad valorem.

Imports entering the United States under all four TSUS items are eligible for duty-free entry under the Generalized System of Preferences (GSP), the Caribbean Basin Economic Recovery Act (CBERA) and the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS). --The HTS subheading covering tartaric acid 2918.12.00. The proposed column 1 duty rate to be effective upon implementation of the HTS is 4.3 percent ad valorem, while the proposed column 2 duty rate is 17 percent ad valorem.

Tartar emetic is provided for in HTS subheading 2918.13.10, with a proposed column 1 duty rate of 1.8 percent ad valorem and a proposed column 2 duty rate of 4 percent ad valorem. Cream of tartar is provided for in HTS subheading 2918.13.20, with a proposed column 1 duty rate of 4.6 percent ad valorem and a proposed column 2 duty rate of 11 percent ad valorem.

Rochelle salts are classifiable in HTS subheading 2918.13.30. The proposed column 1 duty rate is 4.1 percent ad valorem, while the proposed column 2 duty rate is 11.5 percent ad valorem.

Effects on Revenue

If import levels of all tartaric chemicals stated in the proposed legislation continue to grow at the rate of 5 percent per year, the total potential annual loss of customs revenue attributable to duty-free entry of these chemicals would amount to about $382,000 in 1988, $400,000 in 1989, $420,000 in 1990, $420,000 in 1991, and $420,000 in 1992.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on March 30, 1988.

The ITC submitted an informative report on June 6, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988.

WRITTEN COMMENTS RECEIVED
ON H.R. 4167

Supports:

Private Sector

Tartaric Chemicals Corporation

SECTION 141(25). DIAMOND DRILL BLANKS
(Originally introduced as H.R. 2033
by Mr. Archer)

Summary of Provision

Section 141(25) would temporarily suspend the column 1 rate of duty on diamond drill blanks (TSUS items 520.21 and 523.91, HTS items 6815.99.40 and 7102.29.50) until December 31, 1992, retroactive to September 30, 1987.

Section-by-Section Analysis

Section 141(25) would extend the current suspension of the column 1 rate of duty on drill blanks, wholly or in chief value of industrial diamonds (provided for in Tariff Schedules of the United States (TSUS) items 520.21 or 523.91, schedule 5). To do so, it would amend item 910.00 of part 1B of the Appendix to the TSUS by striking out the existing termination date and entering in lieu thereof December 31, 1992, and by revising the product description to diamond drill blanks. The column 2 rate of duty would remain unchanged.

Background and Justification

Drill blanks are made of randomly oriented synthetic industrial diamond crystals, which are bonded together by a high pressure, high temperature process, usually to a tungsten carbide substrate. The processes used to produce the domestic and imported blanks and their physical and quality characteristics are very similar.

The subject diamond blanks are used by fabricators for turning, milling, boring, drilling, and cutting nonmetallic material. Tools utilizing these blanks are commonly used in such operations as drilling for oil and gas, mineral exploration and mining, and machining such materials as non-ferrous metals and alloys, ceramics, fiberglass, chipboard and fiber board.

The duty suspension lowers the cost of such blanks to firms involved in exploring for and developing certain natural resources.

In the past year, the number of U.S. producers of diamond blanks has decreased from four to three. These three producers are General Electric Company, Specialty Materials Department, Worthington, Ohio; MegaDiamond Company, a subsidiary of Smith International, Inc., Provo, Utah; and U.S. Synthetic Corporation, Orem, Utah.

Shipment and production data for this industry are not available, because industry representatives are concerned that business confidential information would be revealed. General Electric is the largest merchant market producer. A major subcomponent of the U.S. market is served by MegaDiamond, whose product is used primarily in captive production of finished goods. In addition, MegaDiamond is reportedly developing an outside customer base, in both U.S. and international markets. Total U.S. employment for the production of these articles is not known. However, employment is estimated to run from 150 to 300 workers, approximately half of the estimated level in May 1984 (upon the enactment of the current suspension).

Domestic production data for the subject diamond blanks are not available. However, overall sales have declined during the period 1984 to 1986. This decline is atributed to a decrease in domestic oil and gas drilling activities.

Because imports of diamond blanks are classified in residual or "basket" categories (TSUS items 520.21 and 523.91), Precise import data are not known, especially prior to 1985. After the temporary duty suspension went into effect in December 1984, when TSUS item 910.00 was enacted, it is believed that imports began in 1981 and came mainly from Ireland (although small shipments also came from Japan). There appears to have been no change in import sources since then; no imports are believed to have come from column 2 sources.

Imports of diamond blanks are estimated as follows (in thousands of dollars):

1982	$1,115
1983	$8,347
1984	$10,000
1985	$9,042
1986	$6,714

The decline in imports after 1984 is attributed to the decrease in domestic oil and gas drilling activities during 1985 and 1986. Official government import records indicate that from 1985 to 1986 imports from Japan increased approximately 474 percent, from about $126,000 in 1985 to about $723,000 in 1986. Imports from Ireland decreased during that period by approximately 30 percent, from over $8,916,000 in 1985 to about $6,226,000 in 1986.

Presently, the same five companies identified in 1984 continued to account for the bulk of imports. These companies are: The General Electric Company, Worthington, Ohio; Van Itallie, Inc., Saddle Brook, New Jersey; Diamond Abrasive Corporation, New York, New York; Amco Diamond Abrasive Corporation, New York, New York; and Sumitomo Electric Carbide, Inc., Mt. Prospect, Illinois. The first four companies import diamond blanks from Ireland, and the last company imports from Japan.

Because exports of these articles are classified in a residual or "basket" Schedule B category, precise data are not available. Domestic suppliers have declined requests for export figures since they may reveal confidential business information. However, General Electric Company is believed to account for about 90 percent of all exports of diamond tool blanks from the United States.

Consumption of the subject diamond tool blanks cannot be determined because the appropriate data are not available; domestic suppliers declined requests for consumption figures since they may reveal confidential business information. It is estimated that U.S. consumers received their shipments from the following sources in the percentages allocated:

Domestic Production, General Electric	33%
Imports, General Electric Irish Plant	30%
All other imports	22%
All other U.S. producers	15%
TOTAL	100%

Although the oil, gas, and mineral drilling industries are the largest users of these products, they are also extensively used for machining non-ferrous metals and alloys, ceramics, fiberglass, chipboard and fiber board in the automotive and aerospace industries.

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Comparison with Present Law

Tariff treatment under the TSUS.--The subject products are classified in TSUS items 520.21 and 523.91; these provisions are residual or "basket" categories covering several products. The column 1 rates of duty are 3 percent ad valorem under TSUS item 520.21 and 4.9 percent ad valorem under TSUS item 523.91. The column 2 rates of duty are 30 percent ad valorem under both tariff items. Imports under TSUS item 520.21 are not eligible for duty-free entry under the Generalized System of Preferences (GSP), but imports under TSUS item 523.91 are eligible for such duty-free entry if from designated beneficiaries. Imports from designated beneficiary countries under both tariff items are eligible for duty-free entry under the Caribbean Basin Economic Recovery Act (CBERA), as are products of Israel.

Diamond tool blanks are currently not known to be imported under TSUS item 520.21; however, industry sources have sought a ruling from the Customs Service urging that the Articles be classified in TSUS item 520.21 rather than in item 523.91. Because these articles are currently covered by TSUS Appendix item 910.00, the Customs Service determined that the appropriate schedule 5 classification need not be resolved while the temporary duty provision is in effect.

Tariff treatment under the proposed Harmonized System (HTS).--The subject products are classified in HTS items 6815.99.40 (diamonds, whether or not worked, but not mounted or set) at a column 1 rate of duty of 4.5% ad valorem and 7102.29.50 (industrial stone or other mineral substances) at a column 1 rate of duty of duty-free.

Effects on Revenue

Based on 1986 import data on the 1987 rate of duty, it is estimated that this bill would result in an annual loss of customs revenues of approximately $341,000, considering only imports under TSUS item 523.91.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 11, 1987.

The ITC submitted an informative report on June 2, 1987.

The Department of Commerce submitted an adverse, if not amended as suggested, report on August 5, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#7) dated May 20, 1987.

WRITTEN COMMENTS RECEIVED
ON H.R. 2033

Supports:

Private Sector

General Electric Company: In 1984 H.R. 4482 was enacted providing for a new tariff classification and a suspension of duty for PDC tool blanks and drill blanks. The new tariff classification became effective in November, 1984. A question has arisen as to whether the duty suspension has resulted in the transfer of domestic jobs to foreign manufacturers. In November 1984, the Worthington facility employed 583 production personnel. In May 1987, the Worthington facility had 591 production employees. The duty-free provision clearly has had no impact on domestic employment at General Electric.

General Electric has not used its Irish subsidiary to transfer PDC blank production because of the duty suspension. Less than 25% of the PDC blanks manufactured by General Electric are produced at our Irish facility and only half of the Irish production is imported into the United States. In fact, since 1984, the percentage of manufacturing capacity dedicated to PDC blanks production has gone from 98 in 1984 to 26 in 1987. There is no real advantage to shifting production to Ireland as the production wage rate is 80% of the wage rate for a production worker at the Worthington facility.

The duty suspension has been reflected in reduced prices to purchasers of PDC blanks. Since 1984, drill blank prices have been reduced 12% and tool blank prices are down by approximately 30%.

The original legislation was intended to benefit the depressed oil and gas exploration industry. As you know, oil and gas exploration has not rebounded to the levels enjoyed in the early 1980's. As such, it continues to be important to support the availability of low cost raw materials so that drill bit manufacturers using PDC blanks can maintain competitive prices thereby increasing the economic viability of hard hit drill bit manufacturers. Imports of PDC blanks has decreased dramatically during the period when the duty suspension has been in effect. In 1985, $9.47 million of PDC blanks of which $8.92 million came from Ireland. In 1986, total imports declined to $7.86 million of which $6.51 million came from Ireland. This represents a 17% decrease in imports of PDC blanks. It should be noted that in 1986 there were no imports of PDC blanks from South Africa. This decrease reflects the continued decline of the drill bit market in the United States.

Domestic competition continues to be minimal. General Electric has a strong patent position in the PDC blank market. Several manufacturers, domestic and foreign, have taken licenses under the General Electric patent. One domestic manufacturer has declined the offered license. Total domestic production, other than General Electric, represents less than 5% of U.S. sales of PDC blanks. The lack of growth in the domestic industry reflects the failure of oil and gas exploration businesses to recover from the depressed levels existing in 1984. U.S. production other than General Electric is limited in capacity and has not been a factor in the market place even during the period when the oil and gas exploration industry was strong.

General Electric manufactures PDC blanks at both Worthington, Ohio and Dublin facilities. GE continues to be the dominant factor in the PDC blank market. No foreign competitor has made serious inroads into the U.S. market by virtue of the duty suspension. The market share of the domestic manufacturers have not grown although they are operating at a near full capacity.

All of the data available to General Electric suggest that the duty suspension has had no adverse impact on the viability of the domestic PDC blank industry. It has allowed drill bit manufacturers to enjoy lower prices for PDC blanks which in turn has allowed those manufacturers to enjoy lower prices for PDC blanks which in turn has allowed those manufacturers to maintain an active participation in the oil and gas exploration industry. The institution of duties on PDC blanks will result in higher costs to drill bit manufacturers resulting in higher drilling costs. This will not benefit the U.S. drilling industry which continued to be depressed.

Opposes:

Private Sector

Smith MegaDiamond, Inc.: In 1984, there were four domestic corporations manufacturing industrial diamond for drill blanks. These were:

MegaDiamond Industries, Inc.	Provo, Utah
U.S. Synthetic	Orem, Utah
Valdiamant	Ann Arbor, Michigan
General Electric	Dublin, Ireland and Worthington, Ohio

General Electric moved much of their manufacturing operation for polycrystalline diamond to the Dublin Plant between 1981 and 1984. Here they enjoyed a labor rate of approximately one-third of that in the United States, a corporate tax holiday on the Dublin Plant, and passage of H.R. 4482 which required no 6% tariff on shipments into the United States. With no provision in the bill that would require tariff savings to be passed on to the manufacturers of drill bits, General Electric had the opportunity to improve their profit picture. It is our understanding that after the passage of H.R. 4482, additional polycrystalline diamond operations were transferred to the Dublin Plant. The assets of Valdiamant were recently purchased by General Electric, the employees were terminated (approximately 50) and the plant closed.

Smith MegaDiamond, Inc., and U.S. Synthetic remain as the only two domestic corporations manufacturing polycrystalline diamond exclusively in the United States. These two companies are capable of meeting all domestic demands. Foreign corporations could now ship in polycrystalline diamond duty free and compete with the domestic corporations. These foreign corporations are:

a) DeBeers who has plants in Ireland and South Africa; and
b) Sumitomo who has a plant in Japan.

These respective countries do not reciprocate inn suspending tariff on polycrystalline diamond shipped to them by United States corporations.

H.R. 2033, if passed, would encourage all domestic corporations manufacturing polycrystalline diamond to move their plants to a foreign soil in order to effectively compete. This would mean additional employee terminations domestically, and there would no longer be domestic corporations manufacturing polycrystalline diamond.

This bill seems to clearly favor General Electric, with foreign corporations riding on their coattails. This is all done at the expense of exclusively domestic corporations and fair international trade.

SECTION 141(26). UNWROUGHT LEAD
(Originally introduced as H.R. 4299
by Mr. Daub)

Summary of Provision

Section 141(26) would provide an extension of the duty arrangement on certain unwrought lead (TSUS item 624.03, HTS item 7801.10, 7801.99.90, 7801.91) until December 31, 1992.

Section-by-Section Analysis

Section 141(26) would amend the Tariff Schedules of the United States by striking out "12/31/88" in item 911.50 and inserting in lieu thereof "12/31/92."

Background and Justification

This provision is intended to continue the current duty arrangement on certain unwrought lead in order to maintain reduced prices to domestic users.

The articles covered by the provision are forms of unwrought lead other than bullion, as described in TSUS item 624.03. Lead is a soft, heavy, malleable metal that is the most corrosion resistant of the common metals. Unwrought lead is generally cast in ingots, pigs, or blocks. It can be produced in four grades that are differentiated by the presence or absence of certain other metals. There are no significant differences between domestic and imported unwrought lead in terms of physical or quality characteristics. Use in battery components accounts for about 76 percent of total lead consumption; use in gasoline additives accounts for 3 percent; and use in other products such as pigments, solders, cable coverings, and ammunition each accounts for a small fraction total of consumption.

In the lead industry there are two distinct sources of production. Primary lead is produced by smelting and refining lead concentrates. Secondary lead is derived from the salvage of obsolete, lead-bearing products, such as battery plates, cable coverings, pipe and sheet which are remelted and refined in secondary smelters to produce refined lead and various lead based alloys. Once cast into unwrought form there are no physical characteristics which distinguish primary from secondary lead. In recent years, secondary lead has accounted for about 69 percent of total lead production.

Eight lead mines in Missouri plus lead-producing mines in Colorado, Idaho and Montana yielded 99 percent of the total mine production in 1987. Primary lead was smelted and refined at two plants in Missouri and one each in Montana and Nebraska by Asarco, Inc. and Doe Run Company. Secondary unwrought lead was produced essentially by 21 companies, which operated 28 plants with refined metal capacities ranging from 5,000 to 80,000 tons per year. The largest secondary lead producers are RSR Corp. (Texas) and GNB Battery, Inc., (Pennsylvania) and Federated Metals Corp. (subsidiary of Asarco, Inc.).

The primary lead industry employes about 900 persons while the secondary industry employs 1,600 persons.

Domestic production of unwrought lead by quantity (lead content) and value, according to the U.S. Bureau of Mines, has been as follows: 1,122,213 short tons at $486,590,000 in 1983, 1,134,223 short tons at $579,590,000 in 1984, 1,216,001 at $463,780,000 in 1985, 1,081,513 at $476,950,000 in 1986; and 1,094,126 at $787,770,000 in 1987.

Total imports of unwrought lead other than lead bullion under TSUS item 624.03 during 1983-87 were as follows: 148,103 short tons at $64,225,,000 in 1983, 178,011 short tons at $86,189,000 in

1984, 144,793 short tons at $53,863,000 in 1985, 154,568 short tons at $59,172,000 in 1986, and 204,670 short tons at $123,137,000 in 1987.

The principal supplying countries of imports under item 624.03 in 1987 were as follows: 102,122 short tons at $61,384,000 from Canada, 46,997 short tons at $28,457,000 from Mexico, 10,016 short tons at $5,887,000 from Sweden, and 8,074 short tons at $4,682,000 from West Germany.

Imports on unwrought lead other than lead bullion under CBERA, Israel, items 806/807, and column 2 were negligible in 1987. The importers included battery manufacturers, metal traders, and domestic producers.

Exports of unwrought lead other than lead bullion (Schedule B numbers 624.0330 and 624.0350) were as follows during 1983-87: 19,340 short tons at $10,055.000 in 1983, 4,853 short tons at $6,050,000 in 1984, 27,460 short tons at $14,647,000 in 1985, 10,870 short tons at $7,080,000 in 1986, and 4,264 short tons at $4,516,000 in 1987.

The principal export markets in 1987 were South Korea (26 percent), Taiwan (16 percent), Canada (15 percent) and Mexico (15 percent. The principal exporters were the primary and secondary producers.

Apparent consumption of unwrought lead other than lead bullion was as follows: 1,250,976 short tons at $540,760,000 in 1983, 1,307,381 short tons at $659,729,000 in 1984, 1,333,334 short tons at $502,996,000 in 1985, 1,225,211 short tons at $529,042,000 in 1986, and 1,294,532 at $906,411,000 in 1987.

Comparison with Present Law

Tariff treatment under the TSUS.--Unwrought lead other than lead bullion is provided for in TSUS item 624.03, part 2G, Schedule 6 with a column 1 duty rate of 3.5 percent ad valorem on the value of the lead content. Unwrought lead other than lead bullion is not an eligible article for purposes of the GSP and therefore is not eligible for duty free entry when imported from designated beneficiary developing countries. Imports from Caribbean countries and Israel enter duty-free. The column 2 rate of duty is 10 percent ad valorem.

The current column 1 rate of duty of 3.0 percent ad valorem on the value of the lead content, but not less than 1.0625 cents per pound on the lead content, is provided in TSUS item 911.50, part 1B, Appendix to the Tariff Schedules, which will remain in effect until December 31, 1988.

Tariff treatment under the proposed Harmonized Tariff System (HTS).--Unwrought lead other than lead bullion will be classified under proposed HTS item numbers 7801.10 (refined unwrought lead), 7801.91 (unwrought lead other than refined), or 7801.99.90 (unwrought lead other than refined or bullion). The column 1 rate of duty for all items will be 3.5 percent on the value of the lead content and 10 percent ad valorem for column 2 countries. Imports from Caribbean countries and Israel will enter duty-free.

The proposed current column 1 rate of duty of 3.0 percent on the value of the lead content, but not less than 2.3424 cents per kilogram on the lead content, is provided in HTS item 9902.78.01, Subchapter II, Temporary Legislation Amending the Tariff Schedule, which will remain in effect until December 31, 1988.

Effects on Revenue

The 1987 duty rate effective for item 624.03 under existing temporary duty concessions consists of 3.0 percent ad valorem on the value of the lead content, but not less than 1.0625 cents per pound on the lead content. The provision extends this duty

arrangement which provides for application of the higher duty rate when applied to the value of the lead content. Because of the low average unit value of imports (30.09 cents per pound in 1987), the specific rate of 1.0625 cents per pound on the value of the lead content was greater than the ad valorem rate of 3.0 percent in 1987. Thus, based on the current average unit value of imports and the 1987 import level of 204,570 short tons ($123 million), it is estimated that enactment of this legislation would result in an annual revenue increase of approximately $38,700.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 7, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 16, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4299

Supports:

Private sector

Non Ferrous Metals Producers Committee

SECTION 141(27). CERTAIN POWER-DRIVEN FLAT KNITTING MACHINES AND PARTS THEREOF (Originally introduced as H.R. 2386 by Mr. Pease)

Summary of Provision

Section 141(27) would provide an extension of the column 1 duty suspension on power-driven flat knitting machines and parts thereof (TSUS item 670.19, 670.20 and 670.74) until December 31, 1992.

Section-by-Section Analysis

Section 141(27) would amend the Tariff Schedules of the United States (TSUS) to extend the existing suspension of the column 1 rate of duty on power-driven flat knitting machines over 20 inches in width and parts thereof (provided for in TSUS items 670.19, 670.20 and 670.74). The present duty suspension is to continue through December 31, 1988, under item 912.13 of the Appendix to the TSUS; the proposed extension would extend the termination date to December 31, 1992.

Background and Justification

Knitting is the process of forming fabric by creating interlocking loops of yarn, each loop hanging from another. Machines which manufacture such fabric consist of yarn feeds; needle housings in which replaceable hooked needles are installed; cams; drives; and fabric take-up mechanisms. Industrial flat knitting machines are usually powered by electric motors; other machines may be driven manually. When a flat knitting machine is operating, the hooked needles move within their respective housings in a manner determined by the cam settings. Each needle in its turn moves through an old loop, hooks onto a yarn end and pulls it through the old loop, which is then cast off.

This procedure is accomplished differently in two major types of machines-namely, circular and flat-bed machines. In a circular knitting machine, the needle housings (or slots) are in a cylinder positioned over a set of cams which engage the needle butts. As the cylinder rotates over the cams (or, in some machines, as the cams rotate in relation to a stationary cylinder), the needles rise and fall as their butts pass over the cams.

Flat-bed knitting machines are distinguished by the flat, rather than circular, configuration of the needle bed. The two significant categories of flat knitting machines are the V-bed machine and the link-and-links machine. The V-bed machine is characterized by two needle beds arranged to form a 90-degree angle (as in an inverted V) with the needles crossing at the apex in the course of pulling down loops. V-bed machines are very versatile and can be used to manufacture garment fronts and backs and sweater sleeves, as well as straight yarn goods. In the United States, V-beds are typically used to manufacture collars, cuffs, and trim. However, the only V-bed machine manufactured in this country is a narrow-bed machine used for making narrow fabrics such as trim and strapping.

The link-and-links, or purl, machine includes two needle beds placed opposite each other but with both needle beds on the same horizontal plane. The intervening area is spanned by needles with hooks at both ends. The needles can be transferred from one bed to the other, and can knit on either end depending on the setting of the controlling cams. The characteristic purl stitch of this machine produces somewhat stretchable fabric identical on both sides. More intricate cam settings can result in complicated stitching sequences, which can duplicate virtually any hand-knit design.

The duty suspension is sought since there are no domestic manufacturers and therefore no domestic sources of supply of these types of knitting machines.

One U.S. firm, Lamb Knitting Machine Corp., Chicopee, Mass., reports that they manufacture negligible amounts of such knitting machines. Lamb, which employs 10 to 20 people, states that they produce a few narrow-bed V-bed flat knitting machines for the manufacture of braiding, strapping, and trimming materials. Lamb reports limited exports of its machines to at least four countries --France, West Germany, Greece, and South Africa. There are no other known exports of new machines.

There were no domestic producers of power-driven flat knitting machines over 20 inches in width in 1986.

Since there is no commercially significant U.S. production or exports, imports are essentially the sole source of U.S. supply and represent total apparent consumption of power-driven flat knitting machines over 20 inches in width. Approximately 30 percent of the imports entered under TSUS item 670.20 during 1982-84 may be attributed to flat knitting machines. For item 670.19: $4,627,000 in 1982, $11,149,000 in 1983, $118,217,000 in 1984, $25,121,000 in 1985; and $39,047,000 in 1986. For item 670.19: $4,648,000 in 1982, $7,197,000 in 1983, $7,253,000 in 1984, $10,577,000 in 1985 and $12,954,000 in 1986.

In 1986, the leading sources of U.S. imports of V-bed flat knitting machines (TSUS item 670.19) were Italy and West Germany, which accounted together for 47 percent of total U.S. imports of V-bed flat knitting machines. West Germany and Japan accounted for 87 percent of U.S. imports of other flat knitting machines (TSUS item 670.20) during 1986. Three companies dominate the U.S. import market. They are Universal Maschinen Fabrik and Stroll & Co., both headquartered in West Germany, and Edward Dubied & Cie S.A. of Switzerland. During 1987, there were no column 2 imports of power-driven flat knitting machines. Imports from countries eligible for GSP treatment totaled $511,863 for these tariff items during 1987.

There were essentially no U.S. exports of power-driven flat knitting machines over 20 inches in width during 1982-86.

During the period 1982-86, there was effectively no domestic production of power-driven flat knitting machines over 20 inches in width, and U.S. consumption of these articles during this period was satisfied by imports. Apparent U.S. consumption of power-driven knitting machines increased annually during 1982-86; $9,275,000 in 1982; $18,346,000 in 1983; $25,470,000 in 1984; $35,698,000 in 1985; and $52,001,000 in 1986.

Comparison with Present Law

Tariff treatment under the TSUS.--Power driven flat knitting machines are provided for in TSUS item 670.19 and 670.20. The current rates of duty for TSUS items 670.19, v-bed flat knitting machines 1, including column 1 rates and applicable staged reductions granted during the Tokyo Round of the Multilateral Trade Negotiations (MTN) are 5.1% and free respectively and both free for 670.20, warp knitting machines. The Column 2 rate of duty for both TSUS items 670.19 and 670.20 is 40 percent ad valorem.

Imports from all designated beneficiary countries under the TSUS items 670.19 and 670.74 are eligible for duty-free entry under the Generalized System of Preferences (GSP). In addition, the articles provided for in these two tariff items, if from designated beneficiary countries, under the Caribbean Basin

Economic Recovery Act (CBERA) or if the product of Israel, are eligible for duty-free entry. Parts for power-driven flat knitting machines are provided for in TSUS item 670.74. The column 1 and 2 rates of duty for such parts are the same as those of the complete knitting machines provided for in TSUS items 670.19 and 670.20, and the special duty rates from TSUS item 670.19 are applicable.

Tariff treatment under the proposed Harmonized System (HTS).--The tariff treatment of power-driven flat knitting machines and parts under the Harmonized System (HS) are; for 8447.20.10: 5.1% in column 1 and 40% in column 2, and for 8447.20.40: Free in column 1 and 40% in column 2.

Effect on Revenue

The average annual customs revenue loss during 1989-1992 that would result from the duty-free importation of such power-driven flat knitting machines would be approximately $2.7 million. This estimate is based on 1986 import levels and on the tariff rates applicable during 1989-1992. No estimate of lost customs revenue for parts of flat knitting machines is provided because such parts are classified in a provision covering parts for many knitting machines.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 15, 1987.

The ITC submitted an informative report on July 22, 1987.

The Department of Commerce submitted a no objection report on April 14, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release #7 dated May 20, 1987. No comments were received.

SECTION 142. EXTENSION OF DUTY SUSPENSION AND REDUCTIONS PROVIDED FOR IN H.R. 4848

Summary of Provision

Section 142 provides for extension of the expiration date on all temporary duty suspension and reductions provided for in H.R. 4848 from December 31, 1990 to December 31, 1992.

Section-by-Section Analysis

Section 142 would extend the expiration date of all temporary duty suspensions and reductions contained in H.R. 4848, Title 1, Subtitle G, Part 1, Subpart B, from December 31, 1990 to December 31, 1992. Included in this legislation are Sections 1731 through 1804, except Sections 1740, 1747, and 1773.

This section also extends the Foreign Trade Zones Act exception for bicycle parts provided for in Section 1783 of H.R. 4848 from, December 31, 1990 to December 31, 1992.

Background and Justification

The purpose of this legislation is to provide equitable treatment to the temporary duty suspensions and reductions provisions in H.R. 4848.

Effects on Revenue

The estimated annual customs revenue losses attributable to this provision are $114 million in 1991 and $114 million in 1992.

Subcommittee Action

The Subcommittee agreed to this provision at the Subcommittee mark-up on July 7, 1988.

TITLE II - MISCELLANEOUS PROVISIONS

SECTION 201. FOR THE RELIEF OF THE CITY OF ALBANY, NEW YORK (Originally introduced as H.R. 2459 by Mr. Stratton)

Summary of Provision

Section 201 would provide duty-free treatment for entry number 86373030, a 29-bell carillon imported for use by the City of Albany, New York.

Section-by-Section Analysis

Section 201 would allow for duty-free entry of a 29-bell carillon imported September 8, 1986 (entry number 86373030) for use by the City of Albany, New York. This legislation provides that duties paid on this entry be refunded to the importer. If the duty payments have already been liquidated, the Customs Service shall reliquidate these entries if a request is filed within 90 days after the date of enactment, and refunded to the importer.

Background and Justification

The purpose of this bill is to reduce the cost of this restoration project to the City of Albany, New York.

Comparison with Present Law

Tariff treatment under the TSUS.--Parts of Carillon bells are provided for in TSUS item 726.90. The Column 1 rate of duty is 5.3 percent ad valorem. The Column 2 rate of duty is 40 percent ad valorem.

Effects on Revenue

This legislation would provide for refunds of duties paid, estimated at $13,583.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on June 1, 1987.

The Subcommittee requested written comments from the interested public on this bill in a press release (#9) dated May 26, 1987. No comments were received.

SECTION 202. FOR THE RELIEF OF THE STATE OF FLORIDA
(Originally introduced as H.R. 4347
by Mr. Shaw)

Summary of Provision

Section 202 would provide for duty-free treatment of 18 bi-level rail passenger cars (TSUS item 690.15, HTS item 8605.00.00) entered during the period between March 14, 1988, and January 1, 1989.

Section-by-Section Analysis

Section 202 would permit the duty-free entry of each bi-level rail passenger car classified under item 690.15 of the Tariff Schedules of the United States (TSUS) if such articles are for the use of the Department of Transportation of the State of Florida as certified by the importer. The bill would apply to articles which are entered after March 14, 1988 and before January 1, 1989. Such tariff treatment would be afforded to entries from any country, whether the articles were assessed the column 1 or column 2 rate of duty.

Background and Justification

This legislation would affect a Tri-County Rail Commission Program (Broward-Palm Beach-Dade Counties) contract with a Canadian company under which the latter would produce the cars. These rail cars are assembled in Canada by UTDC, Inc. of Canada and imported into the United States. The tri-county Rail Commission-UTDC contract stipulates that the State of Florida would seek relief on the 18-percent column 1 customs duty imposed on completed rail cars. The savings would be shared by UTDC and the State of Florida.

The bi-level rail passenger cars are commuter cars intended to carry a limited number of passengers on a rail line running parallel to U.S. Interstate 95 between Palm Beach and Miami, Florida.

Currently, there are no domestic producers of bi-level rail passenger cars. Two firms, United Rail Car of Yonkers, New York (a wholly-owned subsidiary of Nisho-Iwa and Kawasaki) and Pullman Technologies (a wholly-owned subsidiary of Bombardier, Inc. of Canada) have indicated that with proper modification, their plants are capable of producing these cars.

Bi-level rail passenger cars are not separately provided for in the TSUSA, making it difficult to determine the level of U.S. imports for these articles. Bi-level rail passenger cars are classified in TSUS item 690.15 along with all other non-self propelled passenger, freight, mail, and luggage cars. For the entire category, 102 vehicles valued at $2.2 million were imported in 1987, and 364 vehicles valued at $17.6 million were imported in 1986.

Bi-level rail passenger cars are not separately provided for in the U.S. export schedule. Exports of bi-level rail passenger cars are reported under Schedule B item 690.1535, a residual or "basket" category. U.S. exports of all articles in the category amounted to two vehicles valued at $97,000 in 1987. Two vehicles valued at $324,000 were exported during 1986.

Apparent U.S. consumption of bi-level rail passenger cars cannot be determined because of the lack of data on U.S. shipments, imports, and exports.

Comparison with Present Law

Tariff treatment under the TSUS.--Bi-level passenger rail cars are provided for in TSUS item 690.15, together with other railroad and railway rolling stock, including luggage, mail, freight, and other non-self propelled cars. The column 1 rate of duty is 18 percent ad valorem, and the column 2 rate of duty is 45 percent ad valorem. Imports from all designated beneficiary countries are eligible for duty-free entry under the Generalized System of Preferences (GSP) and the Caribbean Basin Economic Recovery Act (CBERA), and products of Israel are subject to a 5.8 percent ad valorem rate.

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--Bi-level rail passenger cars are classified in HTS subheading 8605.00.00, along with other railway or tramway passenger coaches. These articles would be assessed a proposed column 1-general duty rate of 18 percent ad valorem.

Effects on Revenue

For reasons already detailed, the customs revenue loss for all bi-level rail passenger cars for use by Florida cannot be precisely determined. Nonetheless, the customs revenue loss for the 18 bi-level rail passenger cars being imported for use by the State of Florida Department of Transportation is estimated at $3 million during the provision's effective period. That figure relies on an estimated value of the cars at just under $20 million.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on April 12, 1988.

The ITC submitted an informative report on June 27, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#19) dated April 26, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4347

Supports:

Members of Congress

The Honorable E. Clay Shaw, Jr., M.C., Florida

Private Sector

Florida Department of Transportation (Kaye N. Henderson, Secretary)

Minnesota Association of Railroad Passengers

Tri-County Commuter Rail Organization

United Rail Passenger Alliance, Inc.

The Urban Transportation Development Division of Lavalin (UTDC)

SECTION 203. CERTAIN ENTRIES OF DIGITAL PROCESSING UNITS
(Originally introduced as H.R. 4493
by Mr. Archer)

Summary of Provision

Section 203 would provide for duty free treatment of any entry of a digital processing unit that was classified under TSUS item 676.15, 676.54, 945.83, 945.84, 945.89, or 945.90 during the period from January 16, 1986 until January 1, 1988, and was unliquidated as of December 31, 1987.

Section-by-Section Analysis

This provision would permit liquidation free of duty of any entry of digital processing units (DPUs) which was made after January 16, 1986 and before January 1, 1988, and which was unliquidated as of December 31, 1987. The subject articles may have been classified in items 676.15, 676.54, 945.83, 945.84, 945.89 or 945.90 of the Tariff Schedules of the United States (TSUS). (Note: Item 945.84 was replaced by items 945.89 and 945.90 on November 9, 1987; however item 945.90 was also suspended on that date.) The legislation would allow duty-free liquidation of unliquidated entries of the subject articles, if properly applied for by importers of record within 180 days after the date of enactment.

Background and Justification

This legislation would relieve importers of the obligation to pay duties on unliquidated entries of goods that have been "incorrectly classified" by the Customs Service as "computers", rather than as "parts of computers."

Duty-free treatment of "computer parts" stems from the International Trade and Investment Act (enacted as title III of the Trade and Tariff Act of 1984 (the TTA)), specifically section 308(b)(1) of the TTA which enumerates "parts of automatic data-processing machines and units thereof (provided for in item [676.54]...") as subjects for negotiation. Subsequently, the United States, Japan, and Canada entered into an agreement that made "computer parts: duty-free when entering the United States; it also made computers, peripherals, and computer parts duty-free when entering Japan; and it generally made computer parts duty-free when entering Canada.

In early 1986, a difference of opinion arose within the Customs Service concerning the correct classification of "motherboards" (also referred to as "single board computers" and, in this bill, as DPUs). The "sending port" took the position that DPU's were computer "parts" classifiable in item 676.54; the National Import Specialist in New York took the position that DPUs were "unfinished computers" classifiable in item 676.15. The matter was finally resolved by a ruling issued by Customs Service headquarters in July 1987 which agreed with the New York specialist. The effect of this ruling was to require that DPUs (from all MFN sources) be liquidated under item 676.15 (at 3.9 percent ad valorem) rather than under item 676.54 (at a free rate), retroactive to January 16, 1986.

The importers argue that this ruling by the Customs Service was contrary to a "uniform and established practice of classification". The Customs Service requires that a "finding" of a uniform and established practice of classification must be based upon a number of factors: the number of entries resulting in the

alleged uniform classification, the number of ports at which the merchandise was entered, the period of time over which the alleged uniform classification took place, and whether there was any uncertainty regarding the classification of the merchandise through its history. (Hereaus-Amersil, Inc. v. U.S., 612 F. Supp 396, 9 CIT 262.) The Customs Service does not agree with the importers contention on this point, as well as on the underlying issue of whether DPUs should be classified as "computers" or as computer "parts".

In the interim, the United States and Japan had entered into an agreement concerning trade in semiconductors, the "Semiconductor Agreement". The United States subsequently determined that Japan was in violation of this agreement and imposed unilateral sanctions in the form of 100 percent ad valorem duty on certain "automatic data processing (ADP) machines" provided for in item 676.15 which were imported from Japan, as well as on certain other products of Japan (e.g., complete color television receivers). The "Japanese sanctions" became effective on April 17, 1987 and remained in effect (for certain ADP machines from Japan) through the period in question (December 31, 1987), although sanctions with respect to a subclass of ADP machines from Japan (item 945.90) were suspended on November 9, 1987.

The effect of the change in classification practice by the Customs Service, coupled with the Japanese sanctions, was to subject DPUs from Japan to combined rate of 103.9 percent ad valorem; the rate applicable to DPUs from other MFN sources was increased from free to 3.9 percent ad valorem.

The legislation defines a processing unit as a digital processing unit for an automated data processing machine which is unhoused and consists of a single, or multiple, printed circuit board(s) (PCB) upon which one or more electronic integrated circuits and/or other semiconductor devices have been mounted. This definition also describes what is more commonly called a "motherboard". Neither the legislation, nor any industry or commercial standards, establish the number of components that must be mounted to a PCB for it to be classified as a digital processing unit. However, the DPU is generally considered the part of a computing system which contains the main storage, the arithmetic unit, and any special registers. These allow the computing system to perform arithmetic operations control processing instructions, and/or provide timing signals and other monitoring operations.

The U.S. industry producing digital processing units, or motherboards, includes captive electronic firms such as IBM, Digital Equipment Corp., NCR Corp., and Hewlett-Packard Co. Many firms in other industries, such as those in the automotive, aerospace, telecommunications equipment, transportation, and appliance industries, produce and consume motherboards internally. In addition, there are many small and medium-sized firms which serve as subcontractors to a larger firms in these industries by providing motherboards at various stages of completion. The I.T.C.'s 1985 report on the economic effects of duty-free treatment of certain high-technology products estimates the number of firms producing parts of automatic data processing machines and subassemblies to be in the thousands. Because of the broad cross-section of industries and firms which produce motherboards, neither the U.S. industry nor the industry concentration can be precisely defined.

U.S. domestic shipments of motherboards cannot be precisely determined given the amorphous structure of the industry. U.S. shipments of PCB's (which are the base component of motherboards manufactured by firms producing for merchant markets were valued at $3 billion in 1987. A PCB accounts for a small fraction of the value of a motherboard. Firms producing PCB's for merchant markets represent only a portion of all firms producing motherboards. Thus, the value of U.S. domestic shipment of

motherboards in 1987 may be several times the $3 billion in shipments of PCB's.

U.S. imports of data processing machines, motherboards, classified under TSUSA item 676.1530 rose from $562 million in 1984 (the first year for which data are available) to $1.7 billion in 1987, increasing at an average annual rate of 44.5 percent (table 1). Japan was the largest supplier of these articles in each of the four years, accounting for an average of 29 percent of total imports in each year. The value of imports from Japan in 1986 and 1987, the years that would be affected by the legislation, were $402 million and $384 million, respectively.

Imports of parts of data processing machines, including any motherboards that may have been entered as parts of data processing machines and classified under TSUSA item 676.5455, rose from $1.2 billion in 1986 (the first year for which data are available) to $3.6 billion in 1987, representing a three-fold increase. Japan was the largest supplier of these goods in both years, accounting for $256 million in 1986, or 21 percent of imports, and $970 million in 1987, or 27 percent of imports. U.S. imports of automatic dataproceessing machines produced in Japan and classified under TSUS items 945.83 and 945.84 amounted to $7 million in 1987, the only year for which these TSUS items have, to date, been applicable.

U.S. exports of digital central processing units classified under item 676.2820 of the U.S. export schedule (Schedule B), which may include motherboards, increased from $1.2 billion in 1983 to $1.8 billion in 1987, representing an average annual growth rate of 12 percent. The largest recipients of U.S. exports of these articles were Japan, Canada, the United Kingdom, and West Germany.

Apparent U.S. consumption of digital processing units, or motherboards, cannot be accurately determined because of the lack of data on U.S. shipments, the lack of data regarding the share of imports under TSUSA items 676.1530 and 676.5455 attributable to motherboards, and the indeterminate portion of exports under Schedule B item 676.2820 that are motherboards.

Comparison with Present Law

Tariff treatment under the TSUS.--The U.S. Customs Service treats motherboards, whether finished or unfinished, as data processing machines, because they contain the essential elements, and perform the basic functions, of a data processing machine. Relying upon general headnote 10(h) of the TSUS, Customs currently classifies motherboards in TSUS item 676.15. These are statistically reported under TSUSA item 676.1530. The column 1 rate of duty for these DPU's is 3.9 percent ad valorem. the column 2 rate of duty that applies to these Communist countries is 35 percent ad valorem. Imports classified in TSUS item 676.15 are eligible for duty-free treatment under the Generalized system of Preferences (except Korea and Taiwan), the Caribbean Basin Economic Recovery Act, and, if products of Israel, under the United States-Israel Free Trade Area Implementation Act of 1985.

Tariff treatment under the proposed Harmonized Tariff schedule (HTS).--Digital processing units, including motherboards, are classified in HTS subheading 8471.91.00 and are statistically reported under 8471.91.00.90. The general rate of duty on imports of these articles is 3.9 percent ad valorem. Certain automatic data processing machines produced in Japan are classified in HTS subheadings 9903.84.10 and 9903.84.30. The general rates of duty on imports of these articles are 100 percent ad valorem. Digital processing units for automatic dataprocessing machines are classified in HTS subheading 9902.84.71. The general rate of duty for these articles is free. However, according to U.S. note 2 of subchapter II of the HTS, subheading 9902.84.71 shall not apply to

any article classified in subheading 9903.84.30, if that subheading is in effect.

Effects on Revenue

Only entries of motherboards entered after January 16, 1986 and before January 1, 1988, and which were unliquidated as of December 31, 1987, would be affected by the proposed legislation. The value of such entries are estimated to be $33 million. This encompasses entries classified in all four TSUS items identified in the legislation. The extent of any revenue loss is unclear at this time since the classification ruling is subject to possible judicial review, and the value of unliquidated entries which may also be subject to "Japanese sanctions" is unknown. Unliquidated duty payments or subsidies of $28 million have been identified by domented producers.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on May 18, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release (#20) dated June 1, 1988.

SUMMARY OF WRITTEN COMMENTS RECEIVED
ON H.R. 4493

Support

CBEMA

Compaq Computer Corporation

Intel Corporation

International Business Machines Corporation (IBM)

SECTION 204. TOBACCO PROCESSED IN CARIBBEAN BASIN COUNTRIES
(Originally introduced as H.R. 4677
by Mr. Pickle)

Summary of Provision

Section 204 would provide for duty-free treatment of tobacco grown in the United States and processed in a Caribbean Basin country (TSUS items 170.01, 170.05, 170.25, 170.28, 170.40, 170.50, 170.55, 170.66, 170.80, 170.10, 170.15, 170.20, 170.35, 170.45, HTS items 2401.10.20, 2401.10.40, 2401.10.60, 2401.10.80, 2401.20.05, 2401.20.20, 2401.20.40, 2401.20.60, 2401.20.80, 2401.30.30, 2401.30.60, 2401.30.90)

Section by Section Analysis

Section 204 would make clear that tobacco grown in the United States and processed in a Caribbean Basin country is eligible for duty-free treatment under section 213(a) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2704(a)). The provision amends 19 U.S.C. 2704(a) by adding a paragraph which allows duty-free treatment for the entry of tobacco grown in the United States, and any product made from such tobacco that is processed, advanced in value, or improved in condition in a designated beneficiary country; and is not processed, advanced in value, or improved in condition in any country other than a designated country or the United States.

Background and Justification

Tobacco (Nicotiana tabacum) is a tall, erect plant cultivated as an annual for its leaves, which are prepared for use in smoking or chewing. The average height of the plant of the more widely cultivated varieties ranges from 4 to 6 feet. There are marked differences in the number of leaves per plant and the size, shape, arrangement, venelation, color, and other leaf characteristics by plant strain variety. In general, the number of leaves per plant ranges from 20 to 30, while leaf size ranges from 2 inches to 30 inches in length, with corresponding differences in width.

The USDA designates seven classes of tobacco grown in the United States. Differences between classes come chiefly from variations in soils and climate, varieties of seed, cultural practices, and curing methods. The seven classes are flue-cured, air-cured, cigar filler, cigar binder, cigar wrapper, and miscellaneous. Three classes (flue-, fire-, and air-cured) are named on the basis of the method used in curing. Three other (cigar filler, cigar binder, and cigar wrapper) are named on the basis of their traditional use in cigars.

Each class of tobacco, with the exception of miscellaneous, comprises two or more types. Differences between types include color, body, and response to aging and fermentation. As growing and curing techniques are generally similar for all types within a class, differences are attributable to soil or climate factors. In some instances, such as flue-cured tobacco, the different types are so similar that the type designation applies only to a certain marketing area.

Flue-cured tobacco is the class most commonly produced in the United States. Flue-cured leaf ranges from reddish orange to bright yellow in color and is characterized by its light body, fine oily texture, and mild and somewhat aromatic taste. As the name implies, this tobacco is heat-cured in airtight curing barns heated by a system of flues. USDA reports that about 95 percent of domestic flue-cured leaf consumed in the United States in 1987 was used in the production of cigarettes. Marketing of flue-cured tobacco in recent years have averaged about 700 million pounds, of which over half was exported.

The class of air-cured tobacco consists of two subgroups, light air-cured and dark air-cured. Burley is one of two types of light air-cured tobacco and is second to flue-cured in terms of production in the United States. Burley tobacco is light and papery, ranging from tan to reddish in color. It is readily combustible, and its elastic (springy) quality improves the porosity of the cigarette blend. Burley is relatively high in nicotine and substantially free of sugar. The highly absorbent character of the leaf makes it an ideal carrier for the "casing" or flavoring compounds used in the manufacture of cigarettes. Burley is slowly air-cured in freely ventialted barns, with heat used only when needed to maintain humidity in proper balance. In 1987, about 92 percent of the domestic burley used in the United States was consumed in the production of cigarettes. Marketing in recent years have averaged 450 million pounds, with about a third being exported.

The second type of light air-cured tobacco is Maryland. This tobacco is produced in southern Maryland and is cured under natural atmospheric conditions, usually in freely ventilated barns. Maryland tobacco is considered to have ideal burning qualities for use in cigarette blends. Production in recent years averaged 26 million pounds, of which about 24 percent was exported.

Dark air-cured tobacco is the second subgroup of air-cured tobacco. This type is medium to heavy-bodied and ranges from light to medium brown in color. It is used mainly for chewing tobacco and snuff. Production in recent years has been about 9 million pounds, and exports have amounted to about 20 percent of this total.

Fire-cured tobacco is medium to heavy in body, light to dark brown in color, and strong in flavor. It is so-called because of the smoky flavor and aroma it receives from "firing" it over open fires in barns. This tobacco is primarily used for making snuff, roll and plus chewing tobacco, and heavy smoking tobacco. Production in recent years has averaged about 33 million pounds annually, and about half is exported.

The three cigar classes of tobacco are classified by USDA according to their traditional usage. It should be noted, however, that each class may be used in applications generally fulfilled by one or both of the other classes. With the exception of a small portion of the wrapper class which is cured with heat), all three classes of cigar tobacco are dark air-cured.

The first such class, cigar filler, is used in the core or body of the cigar. For this purpose, the principal qualities considered desirable are flavor, aroma, and burning quality. Cigar filler produced in the United States ranges from mild to have in body, depending on the location of the farm. For example, that grown in Pennsylvania and Ohio is relatively mild, while that grown in Puerto Rico is medium to heavy. Production in recent years has averaged about 15 million pounds. Exports are negligible.

Cigar binder, the second class, was originally used for binding the buched filler into the form and shape of the cigar. Natural leaf binders must have a good burning quality, aroma, and elasticity. However, practically all cigars now use a reconstituted tobacco sheet for the inner binder. As a result, loose-leaf chewing tobacco is now the principal use for this class of tobacco. Production has recently averaged about 11 million pounds. Exports are negligible.

Cigar wrapper tobacco is used principally as the outside cover on cigars. For this use the leaves must be elastic, free of injury, and uniform in color and have good burning qualities. The leaves should also be very thin, smooth, and of fine quality. In order to protect the leaves against extremes of weather and sunlight, many fields of cigar wrapper are enclosed by a framework

covered with cheesecloth, which acts as a screen. Cigar wrapper accounts for less than 1 percent of U.S. production of tobacco.

The major use for tobacco is cigarettes, and about 90 percent of the tobacco grown in the United States is used for this purpose. Three types of domestic cigarette leaf tobacco (flue-cured, burley, and Maryland) and one general type of foreign leaf (oriental) are usually blended in the production of U.S. cigarettes. Although different brands of cigarettes vary in the proportions of their tobacco components, flue-cured tobacco accounts for approximately 40 to 50 percent of the tobacco used in the production of a cigarette. Burley accounts for 30 to 40 percent, Maryland for 1 to 2 percent, and oriental for 15 to 20 percent. Other uses for tobacco are cigars, snuff, chewing tobacco, and pipe smoking tobacco.

Imported tobacco includes types similar to nearly all U.S. types. However, filler tobaccos used in the production of cigarettes (flue-cured, burley, and oriental) make-up the majority of imports.

The purpose of this provision is to reduce the cost of tobacco processed in Caribbean Basin countries for American consumers.

During 1983-87, annual U.S. production of tobacco averaged 1.4 billion pounds with an estimated $2.4 billion; in 1987, production was an estimated 1.2 billion pounds with an estimated $2.0 billion value. Flue-cured tobacco accounted for about 55 percent of production (by quantity) in 1987, followed by burley (38 percent), fire-cured (2 percent), Maryland (2 percent), dark air-cured (1 percent), cigar binder (1 percent), cigar filler (1 percent), and cigar wrapper (less than 1 percent. The major area of production of tobacco is the Southeastern United States. Leading producing States include: North Carolina (flue-cured), Georgia (flue-cured), Virginia (flue-cured) and Tennessee (burley and fire-cured).

The majority of U.S. production of tobacco is controlled by marketing quotas and/or acreage allotments, depending on the type of tobacco. To be eligible for a quota and/or an allotment, a farm must have either established a historical base of production when the program began, or have been assigned a base at a later date by USDA. In 1987, the production of flue-cured tobacco was allotted to about 87,000 farms, while about 314,000 farms were allotted burley quotas. The production of dark air-cured tobacco was allotted to about 18,000 farms, and about 18,000 farms were alloted fire-cured quotas. Approximately 5,000 farms were allotted cigar filler and cigar binder quotas. Some growers, however, use more than one quota through rental arrangements. Because of these arrangements, USDA estimates that flue-cured tobacco is produced by 40,000 farmers, burley by about 140,000 farmers, fire-cured and dark air-cured each by about 12,000 farmers, cigar tobaccos by about 5,000 farmers, and Maryland type tobacco by less than 2,500 farmers. Many U.S. tobacco producers grow other agricultural crops or raise livestock for the commercial market. In general the number of tobacco producers has decline in recent years and USDA predicts a continuance of this trend.

During 1982-86, U.S. imports of unmanufactured tobacco rose irregularly by 13 percent from 406 million pounds, valued at $501 million to 460 million pounds, valued at $621 million. During January-September 1987, imports of unmanufactured tobacco amounted to 347 million pounds, valued at $453 million, as compared to 375 million pounds, valued at $478 million in the comparable period of 1986. Import data relating to the individual types of tobacco are not available; however, USDA annually estimates the quantity of imports for flue-cured and burley tobacco. During 1982-86, USDA estimates imports (farm-sales weight basis) of flue-cured tobacco (year beginning July 1) increased from about 103 million pounds to 177 million pounds (equivalent to about 124 million pounds

declared weight) and burley tobacco imports (year beginning October 1) declined from about 141 million pounds to 120 million pounds (equivalent to about 85 million pounds declared weight). The leading foreign suppliers of tobacco in 1986, and their respective shares (by value and predominant tobacco types) were Turkey (30 percent-oriental), Brazil (19 percent-flue-cured and burley), and Greece (8 percent-oriental).

In 1986, 884,000 pounds of wrapper tobacco (the only unmanufactured tobacco item eligible for GSP treatment) valued at $5.7 million, was entered duty-free under the GSP. The leading suppliers were the Cameroons (34 percent), Nicaragua (34 percent) and Honduras (15 percent). USDA reports that in 1986 about 5 percent of total unmanufactured tobacco imports were from CBI countries and estimates the 1987 percentage at 4 percent. Column 2 imports and exports from Israel are negligible.

Tobacco dealers and cigarette manufacturers are the major tobacco importers. There are seven major domestic tobacco dealers and about 40 minor dealers, located primarily in Virginia, North Carolina, and Kentucky. Six major cigarette manufacturers account for more than 99 percent of U.S. cigarette production and import tobacco themselves and/or arrange with independent dealers for the tobaccos required for their cigarette blends.

Names and locations of principal importers are; Universal Leaf Tobacco Company of Richmond, VA, R. J. Renolds Tobacco Co. of Winston-Salem, NC, Philip Morris International of Richmond, VA, Dibrell Brothers, Inc. of Greenville, NC, G. F. Vaughan Tobacco of Lexington, KY, A. C. Mon & Co. Inc. of Farmville, NC, American Tobacco Co. of New York, NY

During 1982-86, U.S. exports of unmanufactured tobacco declined by about 18 percent from 572 million pounds, valued at $1.5 billion, to 472 million pounds, valued at $1.2 billion. Japan was the leading export market in 1986, accounting for 19 percent of the export value. Other major markets were West Germany (17 percent) and the Netherlands (7 percent). In 1986 the great majority of the exports (89 percent) consisted of filler tobaccos, of which the most important types were flue-cured (67 percent) and burley (28 percent). The names and addresses of exporters are not available; however, trade sources indicate tobacco dealers are the major exporters.

During 1983-87, apparent U.S. consumption of unmanufactured tobacco trended down, averaging 1,126 million pounds annually; in 1987, consumption amounted to 972 million pounds. During 1983-87, the ratio of imports to consumption ranged from 33 percent in 1984 to 45 percent in 1985, 1986, and 1987.

Consumption of flue-cured tobacco during 1982-86 (crop years) increased irregularly from 582 million pounds to 656 million pounds, while the ratio of imports to consumption increased irregularly from 18 percent to 27 percent. During the same period, consumption of burley tobacco declined irregularly from 585 million pounds to 540 million pounds, while the ratio of imports to consumption declined irregularly from 24 percent to 22 percent.

Comparison with Present Law

Tariff treatment under the TSUS.--The column 1 rates of duty currently in effect for leaf tobacco, the products of two or more countries (TSUS items 170.01 and 170.05) are $2.275 and $2.295 per pound, stemmed filler tobacco mixed or packed with over 35 percent wrapper tobacco (TSUS item 170.25) is $1.548 per pound, unstemmed oriental or Turkish type cigarette leaf (TSUS item 170.28) is 11.5 cents per pound, unstemmed filler tobacco, other than cigarette leaf (TSUS items 170.50 and 170.55) are free and 55 cents per pound, scrap tobacco (TSUS item 170.60) is 16.1 cents per pound, and tobacco manufactured or not manufactured, not specially provided for (TSUS item 170.80) is 17.5 cents per pound. The

current column 1 rates for wrapper tobacco (TSUS items 170.10 and 170.15) are 36 cents and 62 cents per pound, unstemmed filler tobacco mixed or packed with over 35 percent wrapper tobacco (TSUS item 170.20) is 36 cents per pound, and stemmed cigarette leaf (TSUS item 170.35) is 20 cents per pound. The current tariff treatment under the "Special" rates of duty column is free for imports of tobacco from beneficiary countries under the Caribbean Basin Economic Recovery Act (CBERA).

Tariff treatment under the proposed Harmonized Tariff Schedule (HTS).--The column 1 rate of duty for unmanufactured tobacco, tobacco refuse, tobacco not stemmed not containing over 35% wrapper tobacco, cigarette leaf, and oriental or turkish type (HTS item 2401.10.40) is 25.4 cents per kilogram, other unmanufactured tobacco, tobacco refuse, and tobacco not stemmed and that including cigar leaf (HTS items 2401.10.60 and 2401.10.80) are 28.1 cents per kilogram and 35.5 cents plus 43.9 cents per kilogram on wrapper tobacco content per kilogram, partly or wholly stemmed not threshed or similarly processed, leaf tobacco, the product of two or more countries (HTS item 2401.20.05) is $6.45 per kilogram, and that containing over 35% wrapper tobacco (HTS item 2401.20.20) is $1.37 plus $2.04 per kilogram on filler tobacco content, not containing over 35% wrapper tobacco (HTS item 2401.20.40) is 44.1 cents plus 92.9 cents per kilogram on wrapper tobacco content, threshed or similarly processed tobacco from cigar leaf and other threshed or similarly processed tobacco (HTS items 2401.20.60 and 2401.20.80) is 35.5 cents plus 44.1 cents per kilogram, tobacco refuse, tobacco stems not cut, ground, or pulverized, (HTS item 2401.30.30) the duty is free, and those cut, ground and pulverized and all other (HTS items 2401.20.60 and 2401.30.90) are $1.21 and 35.5 cents per kilogram.

Effect on Revenue

The potential annual revenue loss is estimated to be negligible.

Subcommittee Action

The Subcommittee requested reports from the Departments of State, Treasury (U.S. Customs Service), Commerce, and Labor, and the U.S. International Trade Commission (ITC) and the U.S. Trade Representative on June 1, 1988.

The Department of the Treasury submitted an adverse report on July 19, 1988.

The Subcommittee requested written comments from the interested public on this bill in a press release #(20) dated June 1, 1988.

SUMMARY OF WRITTEN COMMENTS
ON H.R. 4677

Support

Private Sector

The Cigar Association of America

SECTION 205. TECHNICAL AMENDMENTS

Summary of Provision

Section 205 provides for technical corrections to Subpart B of part 1 of the Appendix to the Tariff Schedules of the United States.

Section-by-Section Analysis

Section 205 amends the following items in Subpart B of part 1 of the Appendix to the Tariff Schedules of the United States:

1) TSUS item 906.53: by striking out "412.02" and inserting "412.03" in its place.

2) TSUS item 910.00: by striking out "Tool blanks and drill" and inserting "Drill" in its place.

Background and Justification

The purpose of this provision is correct the Tariff Schedules of the United States to correspond with the provisions enacted by this Act.

Effects on Revenue

There is no revenue loss or gains associated with this provision.

SECTION 206. REPORT ON URUGUAY ROUND RECIPROCITY

Summary of Provision

Section 206 instructs the United States Trade Representative to provide a report to the Congress by October 15, 1991 on the amount of imports entering the U.S. under each item contained in this act, who the principal foreign suppliers are, and whether the foreign suppliers have offered reciprocal and equivalent tariff concessions to the United States.

Section-by-Section Analysis

Section 206 provides legislation that requires the United States Trade Representative to report to the Congress, no later than October 15, 1991 on the amount of trade entering the United States, under each item as to which duties have been temporarily suspended or reduced under this Act; who the principal foreign supplier of each product that is subject to such duty suspension or reduction; and whether each such foreign supplier has offered reciprocal and equivalent tariff concessions to the United States.

Background and Justification

This report will provide Congress with information pertinent to any future proposals to extend any or all of the duty suspensions and reductions contained within this Act.

Effects on Revenue

There is no revenue loss or gain associated with this provision.

SECTION 207. EFFECTIVE DATES

Summary of Provision

Section 207 provides for the effective dates of the above provisions.

Section-by-Section Analysis

Section 207 provides that the effective dates of the provisions in this Act, by definition, is the 15th day after the later of October 1, 1988 or the date of enactment of this Act. In general, except as otherwise provided in this section, the amendments made by this Act apply with respect to articles entered, or withdrawn from warehouse for consumption, on or after the effective date. The amendments made by sections 141(19), 141(20), 141(21), 141(22), 141(23), 141(26) and 141(27) apply with respect to articles entered, or withdrawn from warehouse for consumption, after December 31, 1988. The amendments made by Section 142 apply with respect to articles entered, or withdrawn from warehouse for consumption, after December 31, 1990.

Retroactive application for certain liquidations, with respect to which there would have been no duty or a lesser duty if any amendment made by Section 141 applied to such entry, shall be liquidated or reliquidated as though such amendment applied to such entry under the following conditions:

1) Proper request is filed with the appropriate customs officer during the 180-day period beginning on the effective date (not withstanding section 514 of the Tariff Act of 1930 on any other provision of law).

2) The entry (including any withdrawal from warehouse) was made after the applicable date and before the effective date.

   a) If the amendment is made by any paragraph of Section 141 other than paragraphs (9), (19), (20), (21), (22), (23), (26) or (27), the applicable date is December 31, 1987.

   b) If such amendment is made by paragraph (9) of Section 141, the applicable date is September 30, 1985.

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